

The Political Preferences of Activist CEOs

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Introduction

CEO activism is the practice of CEOs speaking out on social and political issues not directly tied to their business interests. CEO activism is not rare; between 2000 and 2018, 28% of S&P 500 CEOs made a public statement about social or political issues (Larcker et al 2018).

Surprisingly, CEOs are effective at shaping public opinion. Chatterji and Toffel (2019) recently conducted a framed field experiment and concluded that CEOs are just as effective as politicians at shaping public opinion.

Despite its growing popularity among CEOs and its impact on public opinion, little is known about who engages in it and why they engage in it.

Hypotheses

Hypothesis 1: CEOs who are liberal will engage in CEO activism more than CEOs who are conservative.

Hypothesis 2: A CEO's political ideology will have a strong and independent effect on how often they engage in activism.

Data and Methodology

Sample: 144 CEOs of S&P 1500 CEOs

Independent Variable: The political ideologies of the CEOs. I measure this using Adam Bonica's (2016a, 2016b) CFscores, which uses common pools of contributors and over 100 million political contributions to estimate one's political leanings.

Dependent Variable: The number of activist comments/statements made by the CEOs between 2010 and 2018. Using Factiva, I analyzed their statements and classified them as activist statements if they met a set of pre-determined criteria.

Control Variables: In my analysis, I control for individual and firm-level characteristics that are associated with increased political activity.

Results

As Figure 2 shows, I find strong evidence in support of my hypothesis, as Democratic CEOs engage in activism more than 5 times as frequently as Republican CEOs. Controlling for an array of potential mediating variables, I find that a CEOs political preferences has a strong and independent effect on how often they engage in activism (Table 1). This is expected how CEOs themselves have stated that it is important for them to stand up for what they believe in (Walker 2018).

I find that CEOs do not limit themselves to just one or two policy issues . In fact, individual CEOs speak out on an array of topics. I also find that most CEO activism succeeds abrupt policy changes (e.g. Trump's announcement that his administration is ending DACA) or is in response to political gridlock (e.g. budget negotiations, the debt ceiling).

Figure 1: Proportion of CEOs Who Engaged in Activism

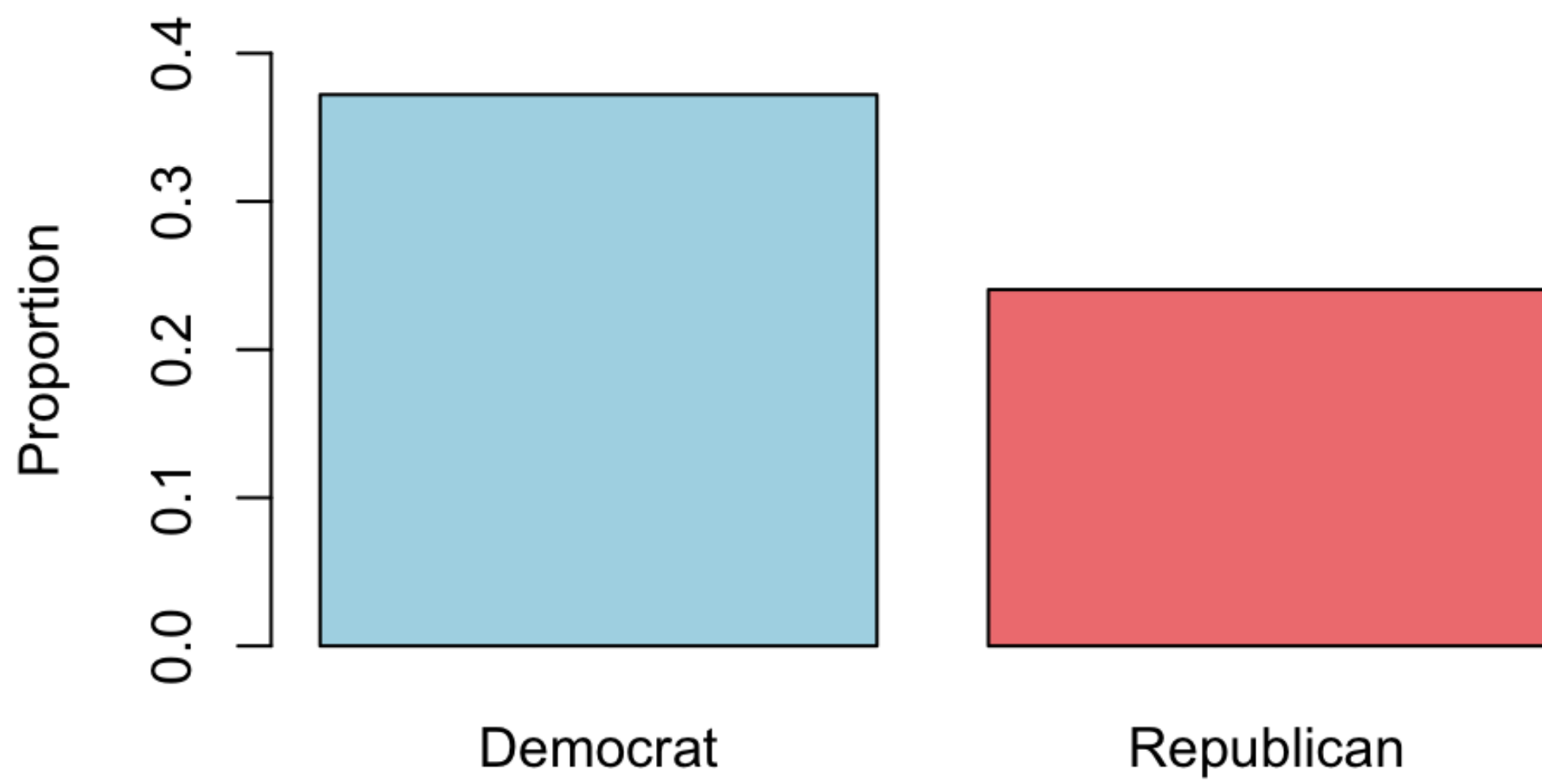


Figure 1 compares the proportion of Democratic and Republican CEOs who engaged in activism at least once. 37% of Democratic CEOs issued at least one activist statement, compared to 24% of Republican CEOs.

Table 1: Determinants of CEO Activism Frequency

Coefficient	Estimate	Standard Error	P-Value
Party: Democrat.	1.70407	0.45575	<0.001
Background in Business, Law, or Economics	0.282097	0.467438	0.547377
Legnth of Tenue	0.015809	0.030629	0.606749
Age	0.001829	0.037807	0.961492
CEO Duality	0.296587	0.478896	0.536945
CEO is Male	0.270555	1.006078	0.788477
Firm Age	0.003249	0.004473	0.469164

Table 1 presents the results of an OLS regression. It reveals that, controlling for firm and CEO characteristics associated with increased political activity, a CEO's party has a strong and independent effect on how often they engage in CEO activism.

Figure 2: Activist Statements per CEO

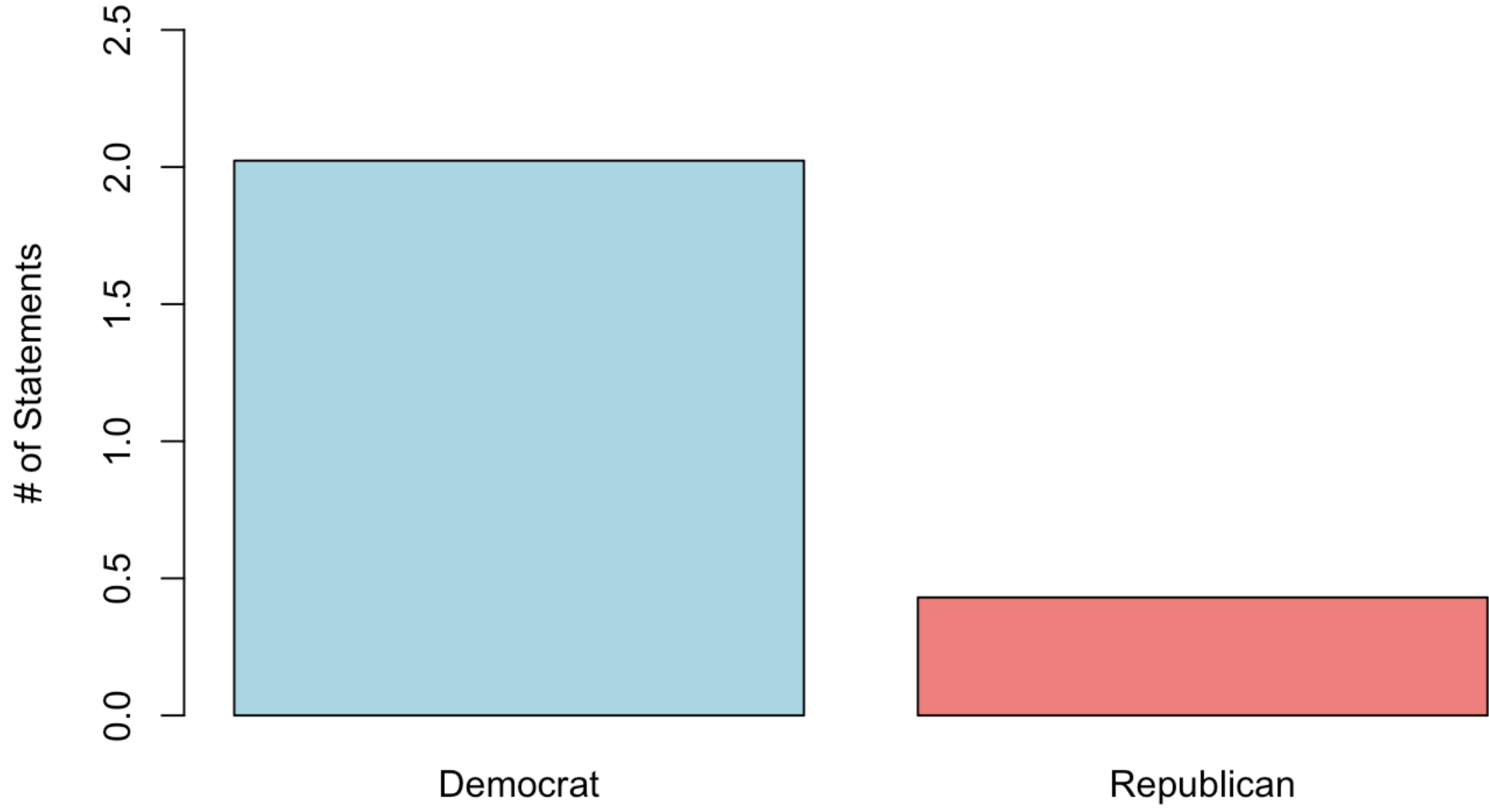


Figure 2 shows the mean number of activist statements issued per CEO, by party. Democratic CEOs issued, on average, 2.6 activist statements, whereas Republicans issued less than 0.5. This difference is statistically significant ($p < .01$).

Figure 3: Issue Frequency

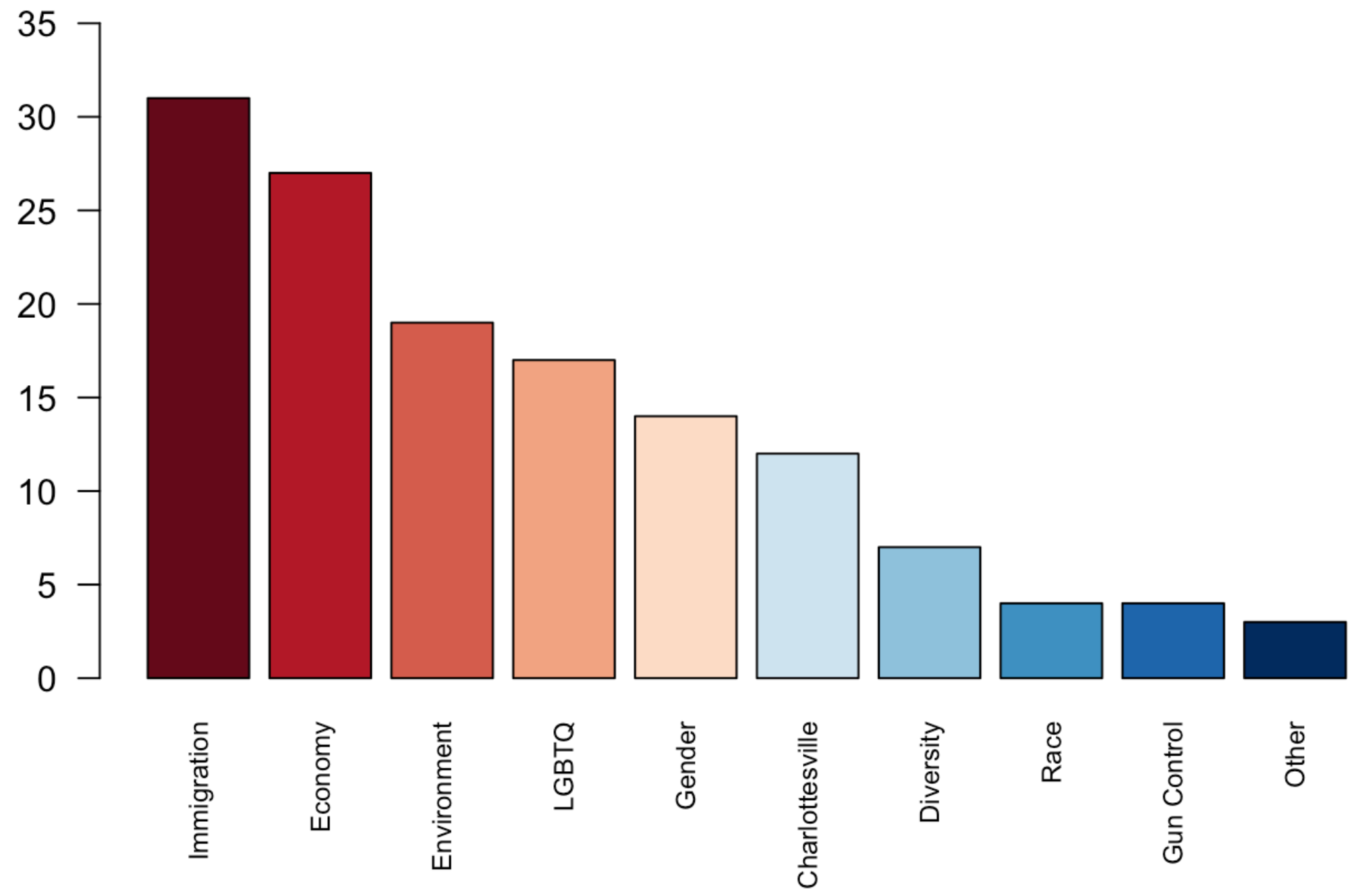


Figure 3 depicts the issues CEOs spoke out on. 'Charlottesville' refers to comments about the President's response to the *Unite the Right* Rally that took place on August 11-12 in Charlottesville, VA.

Limitations

This research is not without limitations. First, the small sample size (144 CEOs) may limit the generalizability of these findings. However, samples even smaller than this are accepted when sampling hard-to-reach populations, including corporate leaders (Nownes and Aitalieva 2013; Page, Bartels, and Seawright 2013).

Second, it is possible the Factiva search used to generate the CEOs public statements did not capture all activist statements.

Additionally, CFscores, though the best measure of political ideology, are not perfect. CFscores treat equal donations made twenty years ago and those made last year, meaning they do not adjust for shifts in preferences over time.

Conclusions

This research makes several contributions to the study of CEO activism and CEO political behavior. Namely, I shine light on which CEOs engage in activism, what issues they speak out on, and what factors contribute to how often the speak out.

Even with these new findings, much remains unknown CEO activism. For example, we do not know if, and to what extent, which CEOs are most effective at influencing public opinion. Likewise, we do not know why liberal CEOs are more willing to speak out on political and social issues.

CEO activism is a ripe field for further inquiry, and this research only addresses a portion of the questions that should be investigated. I hope my findings stimulate more interest in this field and drive further research.



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Acknowledgements

Thank you to Professor Eitan Hersh for all of his guidance, advice, and mentorship throughout the past year. I am indebted to Meredith Schwartz for her helpful comments, feedback, and constructive criticism.