

What If Activists Target My Company?

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Conventional business wisdom holds that innovation comes from smart strategizing inside the company. However, business innovations are often prompted by factors outside of a company. Increasingly, these factors include social forces and activists' efforts to sway public opinion. As society increasingly scrutinizes industry activity, activist organizations are pressuring businesses to change what they perceive as socially irresponsible products, practices, policies, and processes. Social and digital media give them a megaphone to raise awareness and enlist support for their campaigns.

Activist organizations, such as People for the Ethical Treatment of Animals (PETA), Greenpeace, Friends of the Earth (FOE), and the Rainforest Action Network (RAN), have successfully forced businesses to change what they do, including how they innovate. Their influence has affected both small independent businesses and the world's largest companies -- fast-food chains; multinational banks; and big-box retailers. But how do activists achieve such influence? Is it by disrupting firms' stock prices or sales? The evidence suggests that something else is at work. For example, a study published in *Administrative Science Quarterly* found media coverage of protests against well-known companies with established reputations had no substantive or lasting effect on their stock price (King & Soule, 2007).

To better understand whether and how activists impact companies' innovation efforts, we conducted a study, which was published in the *Journal of Management Studies*. Our research set out to determine how activists drive responsible innovation in businesses, and which of their measures had the most impact.

What We Studied

We chose an inductive approach. Accordingly, we were open to learning whatever our rich qualitative findings would reveal to us. Our one assumption was that by making public claims about businesses' irresponsibility (socially and/or environmentally), activists pressure their targets to innovate responsible solutions by threatening their reputations among vital stakeholders—consumers, investors, governments, and more.

The threat of damaged stakeholder relationships and diminished resource access has brought some of the world's largest corporations to their knees, although research shows activists rarely harm them in substantive ways. Where activists excel is in using claims about businesses to create the impression that they will suffer unless they change. Our interest was in figuring out what types of claims activists use and what makes some activists more successful than others.

We analyzed six different campaigns -- four successful and two unsuccessful -- by four different activist organizations to drive responsible innovation by businesses in various industries. The activist organizations were Greenpeace, FOE, PETA, and RAN.

Our data consisted primarily of communications from the sampled activists. We also obtained communications from target businesses and other stakeholders, such as the media, celebrities, and regulators, to supplement those from the sampled activists and to develop a more holistic understanding of claim use/influence. Overall, we looked at 683 communications from media articles, press releases, letters and emails, web pages, and blog posts.



Using this information, we then conducted an in-depth analysis of the nature and impact of the claims that the activists made about the target businesses. We looked at the activists' messaging, and the tactics they used over time to attempt to overcome companies' resistance to responsible innovation. We looked at how each activist used claims within their campaigns, how claims were used similarly and differently across campaigns, and what might have led to differences in outcomes.

Our [paper](https://www.researchgate.net/publication/337929563_Toward_a_Theory_of_Activist-Driven_Responsible_Innovation_How_Activists_Pressure_Firms_to_Adopt_More_Responsible_Practices) (https://www.researchgate.net/publication/337929563_Toward_a_Theory_of_Activist-Driven_Responsible_Innovation_How_Activists_Pressure_Firms_to_Adopt_More_Responsible_Practices) describes four examples in which activists successfully brought about innovation:

- FOE's campaign drove The Home Depot to offer garden products that were safe for bees.
- Greenpeace's campaign drove Trader Joe's to offer fish that did not contribute to the destruction of marine ecosystems.
- PETA's campaign drove McDonald's to improve the living conditions of the chickens used in its food products.
- RAN's campaign drove The Home Depot to sell wood products that did not contribute to the destruction of old-growth forests.

We also looked at two cases where businesses indefinitely resisted the changes sought by the activists. Fresh from its victory with The Home Depot, FOE went after Ace Hardware to convince them to offer bee-friendly products, but was unsuccessful. Neither was PETA when, flush from its victory over McDonald's, it tried to get Kentucky Fried Chicken to improve the living conditions of the chickens used in its food products but ultimately was unsuccessful.

What We Found

We saw that activists successfully used different types of claims at different points in time to push targeted businesses to innovate responsibly. Here's how their playbook works.

To start, activists use *destabilizing claims*, which alert target businesses to the disconnect between what they are doing and what society expects, and the consequences of it. The basic idea is to suggest that activists represent what society wants, and the target businesses will become social pariahs if they don't

change.

If target businesses resist innovating in response to destabilizing claims, which they often do, we've learned that activists escalate by making a combination of *antagonizing* and *fomenting claims*. Antagonizing claims attempt to show that resisting responsible innovation is damaging or will damage target businesses' relationships with resource providers—like consumers, investors, regulators, and more. After all, who would want to do business with social pariahs? The aim here is to trigger the “Chicken Little syndrome,” such that business leaders believe the sky is falling on their head—although it is not.

Fomenting claims highlight market reasons for the target businesses to innovate responsibly. The idea here is to lead business leaders to believe that failing to do what activists want will inevitably cause them to fall behind more compliant rivals or to miss opportunities to gain advantages over them. Effectively, activists play on something we've all experienced -- the fear of missing out (FOMO) -- as rivals, new entrants, and others embrace society's expectation of social responsibility.

Finally, when target businesses still haven't responded in the desired ways, activists persistently double down on their antagonizing claims until responsible innovation occurs. Activists that follow this playbook -- the entire sequence of claim use that we identified -- often see target businesses enact their wishes, whereas activists that fail to do so continue to meet sustained resistance.

Another thing we learned is that certain factors may make businesses more or less likely to innovate responsibly in response to activists. Certainly, consistently following the playbook we've described here gives activists a baseline to drive responsible innovation. However, we saw that target businesses are more likely to acquiesce when their leadership is (A) more centralized in organizational structure and (B) more experienced with activists.

Having a centralized structure, which generally entails consolidating decision making in one place, makes it easier for activists to design and deploy claims about the business relative to decentralized businesses. It's far easier for them to use the same messaging to influence one corporate leadership team, whereas convincing multiple leadership teams requires more nuance and adjustment.

When companies have engaged with activists in the past, the activists usually find it easier the next time. They don't need to use antagonizing claims as much to engage with companies again and get results. This could be because past experiences have caused the company to see some truth in the activists' messages; understand that changing is less costly than staying the same; or realize that a change can really be an innovation that can give them a strategic advantage.

In contrast, when businesses have not previously gone along with activists, activists may need to rely more on the playbook that we identified to drive desired innovations.

Takeaways

Four takeaways from our study could be useful to any business, from the newest startup to the largest multinational:

Activism Can Highlight Market Opportunities

Activism against businesses can highlight market opportunities for the targets and other businesses, including and especially new ventures. In this sense, fomenting claims sometimes carry some water. For example, the Women's Christian Temperance Union, which spearheaded a movement in the early 1900s to outlaw alcoholic beverages in the United States, opened the door for entrepreneurs to fuel the creation of the soft drink industry. Because the most radical innovations often flow from newer, smaller, and more flexible businesses, they are often more motivated and capable of innovating in ways desired by activists. One reason is that bigger businesses have a vested interest in maintaining the status quo.

Small Businesses Can Be Targets, Too

Activists often select business targets based on their size, visibility, prominence, etc., but they can and do target small businesses—sometimes quite aggressively. For example, PETA waged a publicity campaign against Jimmy's Famous Seafood, a family-owned restaurant in Baltimore, Maryland, for serving steamed crabs in their restaurants.

Smart businesses anticipate this possibility, especially when their business activities intersect with social and/or environmental issues of interest to activists. Testing new or established business models for social and environmental soundness, or revising them to have

positive impact on these dimensions, could help firms to avoid being targeted by activists. Such proactive thinking can even help in exploiting market opportunities created by their efforts. However, it's important to walk the walk. For example, widely publicizing one's social or environmental focus without documenting corresponding actions can fuel heightened scrutiny and invite activism for any missteps.

Take Time to Think Before Responding

Activists can win by creating *perceived* threats rather than causing actual harm. But their claims can be quite influential and profoundly impact how business leaders think and make decisions. Understanding that threats do not necessarily translate to proportionate harm gives decisionmakers some time to consider whether and how to incorporate the innovations sought by activists. For example, Jimmy's kept crabs on its menu and actually saw an uptick in patronage, lending credence to P.T. Barnum's quote that "there's no such thing as bad publicity." Chik-fil-A also resisted activists' claims and also weathered the storm.

Send the Right Message

Whether a company decides to acquiesce or to push back on activists' claims, messaging to stakeholders is critical. Saying the wrong things in response to sensitive issues of widespread concern could be damaging. The same is true for greenwashing, which can involve claiming to innovate in environmentally responsible ways without actually doing so. It's important to show tangible proof that you are innovating to address social and environmental problems.

Explore the Research

[Toward a Theory of Activist-Driven Responsible Innovation: How Activists Pressure Firms to Adopt More Responsible Practices](https://www.researchgate.net/publication/337929563_Toward_a_Theory_of_Activist-Driven_Responsible_Innovation_How_Activists_Pressure_Firms_to_Adopt_More_Responsible_Practices) (https://www.researchgate.net/publication/337929563_Toward_a_Theory_of_Activist-Driven_Responsible_Innovation_How_Activists_Pressure_Firms_to_Adopt_More_Responsible_Practices) , Journal of Management Studies, January 2022.