

# Navigating a Polarized World

## Executive Summary

*This paper provides an overview of corporate sociopolitical controversies, beginning with a brief typology of contested issues involved, and a timeline as to how controversies over corporate engagement with these issues often unfolds. It summarises the resistance companies face when they respond by taking public stances and provides a framework for better anticipating risks and distinguishing different types of corporate engagement. It concludes with starting points for a new governance approach that people on either side of contested issues ought to be able to accept.*

## Introduction

There are legitimate and long-standing questions about business engagement with social and political issues. On the one hand, there is the broad expectation that business ought to engage with matters of public interest. On the other hand, there is concern when companies engage in social and political issues in the absence of broad social consensus.

Putting aside personal beliefs about various hot-button issues of the day and about whether and how corporations ought to engage in such issues, it is clear that current approaches do not work. Barely a moment passes before another company is entangled in controversy over a public stance it has taken on a contested social issue. Usually, little is achieved, and much is lost.

Driven by a combination of factors including good intentions, commercial imperatives, and reputational concerns, business leaders to date have pondered two options – take a stand or remain silent. In the current environment, both options are increasingly untenable and fraught with risk. It seems you're damned if you do, and damned if you don't.

As societies become more diverse and their members more polarized, the need grows for a leadership approach that reduces discord, restores trust, and bridges divides.

As Jamie Dimon recently put it, “we need to find ways to put aside our differences...resist being ‘weaponized’...avoid binary thinking...and [try] to understand other people’s and other voters’ points of views, even around deeply emotional topics.”<sup>1</sup>

The approach the paper sets out will not enable companies to anticipate or prevent every crisis, but it might – if adopted at scale and tailored to different organisations and sectors – help reduce controversies and contribute to the restoration of trust across the institutions that lie at the intersection of business, politics, and society.

Importantly, this paper does not intend to stigmatise or polemicise corporate or individual actions – a tendency already well exemplified in our current media and political environment. It aims instead to shed light on the considerations at play, in the hope that this will lead to a more constructive and fruitful approach for corporations in dealing with contentious issues in a pluralistic society.

## Corporate Controversies: *Issues and Timeline*

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<sup>1</sup> Dimon, Jamie (2024) ‘Chairman and CEO Letter to Shareholders’ *Annual Report 2023*. Available at: <https://reports.jpmorganchase.com/investor-relations/2023/ar-ceo-letters.htm>

There is a bountiful supply of ‘case studies’ from the last 10 years of companies engaging or becoming entangled in contested social and political issues not directly related to their core operations. There is also an abundant literature and commentary to justify or critique this activity. Surprisingly, however, little has been done to zoom out from individual episodes to gain a bird's eye view of the total situation or find a constructive way forward. To that end, over the last two years I have spoken with 300+ business leaders across the political and ideological spectrum and from a variety of sectors and regions. This has helped me better understand how corporate controversies unfold, and think about a model for handling things better. While this necessarily involves some abstraction, it should provide a useful vantage point for a clear eyed and non-polemical view of why corporations engage (or become entangled) in social and political issues, and why this gives rise to concern and resistance.

### Contested Social and Political Issues

Contested issues vary regionally<sup>2</sup>, but most can be housed under four broad categories:

1. Personal identity issues (race, ethnicity, sex, gender, etc)
2. Individual liberty issues (freedom of speech, religious belief, marriage, abortion, guns, immigration, voting, etc)
3. Environmental issues (climate change, sustainability, energy, etc)
4. Geopolitical issues (wars, great power relations, cultural differences, how to understand the past, etc)

Each issue also has several features:

- **Intrinsic considerations:** the central arguments, debates and discourse, evidence and experience that are weighed up on the issue itself.
- **Conceptuality considerations:** the extent to which the issue overlaps with larger concepts which are perennially contested in society (e.g. justice, fairness, equality, persons, rights)
- **Interconnectedness:** the extent to which views on this issue intersect or correlate with similar views on related issues.
- **Contestability:** the breadth or spectrum of community views about the issue.
- **Volatility:** the likelihood discussion will escalate passions and disagreement
- **Relevance:** the extent to which the issue is directly related to core daily operations.

As most of these features are difficult to measure due to their inherently qualitative nature – and the role of subjective factors – the likelihood of corporate missteps and mishaps is high.

### How controversies unfold

Corporate controversies usually follow the same trajectory:

1. **Build:** the ‘calm before the storm’ which may or may not involve gradual internal and/or external concern about the issue

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<sup>2</sup> In the US, recent issues include the conflict in the Middle East, racial justice, and the tug-of-war surrounding DEI and ESG, whereas in Australia it has been over indigenous relations, Australia Day, and marriage.

2. **Catalyst:** the primary trigger event(s) which places the company in the spotlight or puts pressure on the company to engage
3. **Response:** the secondary trigger event(s), i.e. the public stance taken by the company
4. **Fallout:** the lingering effects of the trigger events, until controversy becomes dormant

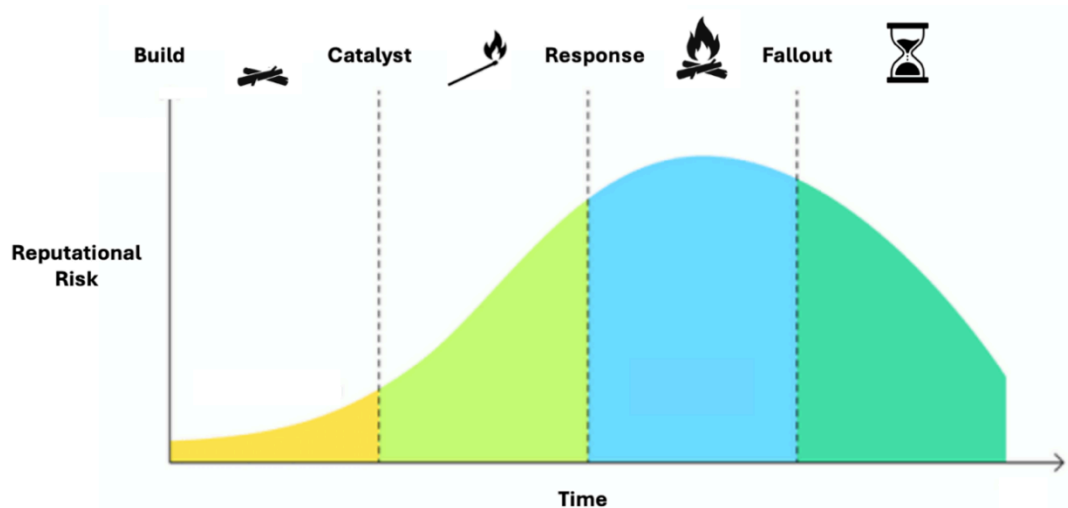


Figure 1: Common trajectory of how corporate controversies unfold

## 1. **Build**

First, the build to them unfolds in a ‘calm before the storm’. This may or may not involve the emergence of internal or external concern about the contested issue.

This phase varies too widely to generalise. One notable feature, however, is the increasing permeability between the organisation and broader social, cultural and political trends. It’s likely therefore that whatever is going on ‘out there’ is also going on ‘in here’. These trends – which may not feature much in internal strategy or deliberations at this stage – provide the kindling for the fire in the next phase.

Although all organisations sit in the ‘build’ phase, those primed to be sparked are usually large in size and market share, public facing with high brand visibility and recognition, oriented towards a broad and heterogenous consumer profile, with a younger employee base.

## 2. **Catalyst**

Next comes a catalyst, the primary trigger event(s) placing the company in the spotlight or putting pressure on it to engage.

Catalysts come in many varieties. Contested issue(s) can be sparked by:

### *Stakeholders*

- **Employees:** an employee sharing their personal view publicly or privately; or an employee’s private views or associations are exposed publicly

- **Customers:** a customer's personal or publicly known views are challenged; or a customer challenges a company's stance on a social or political issue
- **Shareholders:** explicit or implicit pressure from individual shareholders or institutional investors to make progress on a contested social or political issue
- **Media:** inquiries, articles, or commentaries by journalists or interviews with spokespersons
- **Social movements:** lobbying or pressure from social activists (e.g. BLM, MeToo)

#### *Business decisions*

- **BAU operations:** leveraging financial and economic resources on a contested issue (e.g. ESG)
- **Process / Policy:** internal procedures, training, and educational practices (e.g. DEI)
- **Marketing:** advertisement or public relations campaign related to a contested issue

#### *Events*

- **Political:** political leaders, legislation, court decision, election, vote or referendum
- **Geopolitical:** escalation of tensions or hostilities, invasions and wars
- **Historical:** date of national significance, historical figure, landmark, or statue
- **Natural:** natural disaster, environmental damage, pandemic

The impact of a catalyst varies according to:

- **Predictability:** the extent to which it can be foreseen, anticipated and prepared
- **Controllability:** the extent to which the company can control and steward the outcome it wants vs. a multi-dimensional, protracted and externally contingent controversy
- **Duration:** the length of time the issue and catalyst will likely remain a 'live' one
- **Causation:** the extent to which the catalyst was caused or influenced by internal and/or external agents and factors

If the issue arises from multiple sparks – as is now often the case – it is significantly harder to control.

### **3. Response**

After the initial spark has been lit, companies move quickly to resolve the matter. Unfortunately, this often becomes a secondary trigger event, deepening the problem.

This stage generally involves the company taking a public stance on a contested social or political issue that is not directly related to the company's business operations (described by business

scholars under the term, ‘**corporate social activism**’<sup>3</sup>). In its most central and explicit case, it happens via public statement by the CEO, Chair, Board or spokesperson.

It can, however, also be accompanied by, or taken to be, an *implied* public stance when a business decision related to the contested issue involves:

- Leveraging financial and economic resources (e.g. donations, investments, and sponsorships, on the one hand, and divestments, threats of relocating business operations, and product/ service removals on the other)
- Initiating disciplinary or employment related actions against an employee
- Restricting the provision of services to a customer or client

There are many reasons why companies decide to take public stances on contested social and political issues that are not directly related to their core daily business. Not all are at play on every occasion, and some are not publicly stated.

Companies act on a combination of reasons *intrinsic* and *extrinsic* to the issue in question:

**Intrinsic reasons:** *looking at the issue directly, on its own merits, regardless of other factors.*

The focus is on the social issue directly, understanding the key questions, weighing up the central arguments, and marshalling available evidence.

**Extrinsic reasons:** *looking at the issue indirectly, through its effect on the corporate entity and other factors.*

Focusing on the issue indirectly, by viewing it through the lens of broader dynamics, as well as likely upsides and downsides associated with expressing a view.

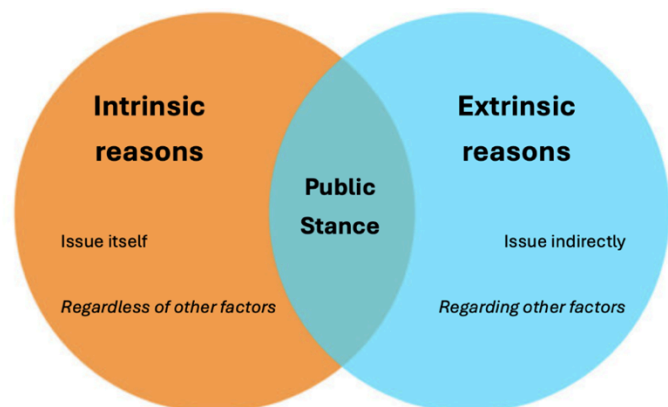


Figure 2: Intrinsic and extrinsic reasons why organizations take a public stance

<sup>3</sup> Lin, T.C.W. (2018) ‘Incorporating Social Activism’, *Boston University Law Review*, 98, pp. 1535–1605; Haski-Leventhal, D. (2019) ‘Corporate activism’, *Encyclopedia of Sustainable Management*, pp. 1–9. doi:10.1007/978-3-030-02006-4\_899-1; W., L.T.C. (2022) *The Capitalist and the Activist: Corporate Social Activism and the New Business of Change*. Oakland, CA: BK, Berrett-Koehler Publishers, Inc; Kagan, M., Burbano, V. ‘Public Attitudes Towards Corporate Sociopolitical Activism’ (earlier-stage project). Available at: <https://www.maxkagan.com/research>; Chatterji, A., & Toffel, M. W. (2018b), ‘Assessing the impact of CEO activism’, *Harvard Business School Technology & Operations Management*, pp. 16-11. Available at SSRN: <https://ssrn.com/abstract=2742209> or <https://doi.org/10.2139/ssrn.2742209>; Briscoe, F. and Gupta, A. (2016) ‘Social Activism in and Around Organizations’, *Academy of Management Annals*, 10(1), pp. 671–727. doi:10.5465/19416520.2016.1153261.

For example, consider the case of an athlete who is motivated to participate in sports for intrinsic reasons, such as enjoyment and excellence at the game, in contrast to an athlete who is motivated to participate in sports for extrinsic reasons, such as material rewards and fame.

Table 1: Common extrinsic reasons for why companies decide to take public stances on contested issues

Extrinsic reasons	
<b>Stakeholders</b>	increased expectation to meet a broader range of needs and issues
<b>Pressure</b>	from employees, customers, donors / investors, activists, politicians, etc
<b>Employees</b>	attracting and retaining workers, particularly younger employees <sup>4</sup>
<b>Trust</b>	perception that due to higher levels of trust in business leaders – as opposed to political – society <i>wants</i> advocacy or is more likely to <i>trust</i> advocacy
<b>Equilibrium</b>	maintaining balance amidst highly competitive & political environments
<b>Social standing</b>	being seen to be a company in good standing with the community
<b>Atoning</b>	making up for past errors and mistakes, either individually or as a sector
<b>Reputation</b>	enhanced or secured, rather than harmed if it were not engaged
<b>Precedent</b>	antecedent commitments and/or previous public stances
<b>Values</b>	applying internal business values consistently to an external issue
<b>Peers</b>	competitor actions increasing the peer pressure and company exposure
<b>Signalling</b>	publicly communicating to others what ‘we believe’ and where ‘we stand’ <sup>5</sup>
<b>Purpose</b>	the sense that companies should be more than just about making money
<b>Business models</b>	shift from shareholder primacy to stakeholder capitalist models
<b>Corp. governance</b>	latitude company directors have to act in the ‘best interests’
<b>Shareholder value</b>	judged to be positively in favour with engagement over the long term

A company’s decision to engage will often highlight the intrinsic reasons for doing so, but extrinsic reasons are invariably part of the decision. This leads to questions about the weight given to extrinsic reasons and the (potentially conflicting) role they played in a company reaching a view on the issue’s intrinsic merits.

#### Side Note: Difficulties with ‘values’

One particularly prominent extrinsic reason worth focusing on is the reliance on company values – either their expression or action consistent with their framing. As younger members of the workforce increasingly express their desire to work for companies which align with their values, this consideration is only likely to grow.

<sup>4</sup> Bravo, O.S.-A. and Lee, J. (2019) ‘The mediating effects of message agreement on millennials’ response to Advocacy Advertising’, *Journal of Marketing Communications*, 26(8), pp. 856–873. doi:10.1080/13527266.2019.1596969.

<sup>5</sup> Anderson, C. and Kilduff, G.J. (2009) ‘The pursuit of status in social groups’, *Current Directions in Psychological Science*, 18(5), pp. 295–298. doi:10.1111/j.1467-8721.2009.01655.x

Historically, company values were developed to articulate expectations and aspirations around internal behaviour and organisational culture. Professions with orientation towards specific goods (education, health, leisure, etc) developed codes, values, mission or purpose statements that expressed company attitudes and priorities. Typically, these are articulated at a very high level of generality with the result that everyone can agree with them and, by extension, be expected to abide by them. More recently, however, the practice of values has been extended beyond the internal business environment to contested external issues with which the company feels connection, e.g. “We are taking a stance on [issue A] because of our values [B, C, and D]”.

There are, however, several challenges associated with over-reliance on company values for handling highly contested social and political issues:

- **They can be applied to *any* issue and *any* side of an issue:** because they were originally developed for internal purposes and expressed with high generality, companies will find it difficult justifying their adjudication between competing conceptions of a particular value. E.g., some will say diversity supports marriage equality, while others will say diversity supports the diverse parental benefits that mothers and fathers bring to children; some will say dignity supports a dignified death by voluntary assisted suicide, while others will say dignity is an essential feature of the elderly that is violated through euthanatising, etc.
- **Their use will raise and then frustrate expectations:** because the broad value will then be applied to a particular view on a contested issue, it will narrow the meaning of the value and imply that those who take an alternative view on the issue do not share appreciation of the value. This will result in some employees feeling conflicted with this latest expression of their organisational culture.
- **Their use tends to moralise the issue and constrain open thinking:** when complex issues are quickly and closely associated with a strong value, the risk of being labelled (‘immoral’, ‘racist’, ‘bigoted’, etc) by expressing another point of view increases, which further reduces nuance, diverse thinking, and open discussion.
- **Their use incentivises the company towards taking a public stance:** because the importance of ‘standing up for one’s values’ is widely accepted in interpersonal settings, values language in corporate settings loads the dice towards institutional position-taking and disincentivises options for pause, debate, consult, rethink, and self-restraint.

For many people, simply citing the external reason of ‘it falls under our values’ decides the issue. Hence, it is important to be clear that though values matter—and are no doubt here to stay in our decision-making—they are one element of corporate reasoning, not a total answer to ‘what should we do?’

#### **4. *Fallout***

Finally, there is the fallout from the controversy. The public stance taken rarely resolves the controversy. Often it exacerbates it. The matter remains in the public eye for an indeterminate

period and media attention is high, as any further actions provide opportunities for new angles to be explored and conflicting viewpoints to be juxtaposed.

The company then typically tries to regain control by either:

- **Defending:** its public stance, shedding more light on the context and justification
- **Repenting:** of its handling of the matter, signalling a change in direction
- **Hiding:** from the issue and waiting for public attention to move on

Interestingly, similarly positioned competitor companies in the same sector (who could have just as easily become entangled in the same manner) typically refrain from engaging and adopt an approach of wait-and-see.

Media attention eventually recedes, although memory of the event and the company's handling lingers (and can easily be stirred up). The worst possible combination of events, however, occurs when the public stance is taken before or after the company also performs poorly on a core operational business activity. The result is almost always lethal for leadership as the two outcomes will be linked together, even if there is little correlation<sup>6</sup>.

## Public Stances: *Concerns and Resistance*

There are two levels of concern about the appropriateness of public stances:

1. **Issue-level:** at the most basic and obvious level, from those who take a different view on the issue at stake.
2. **Institution-level:** includes those on either side of an issue, but who jointly worry about a company taking a public stance on it.

While pejorative and popularized slogans such as 'woke capitalism'<sup>7</sup> seem to imply that concern is on the *cause* or *ideological motivation* behind such activity, most concerns typically focus on the *effects* and *externalities*; namely, the unintended adverse effects on employees, institutions, and public debate.

Some of the main adverse effects can be summarized below.

*Table 2: Adverse effects of public stances on employees, institutions, and public debate*

### Employees

<sup>6</sup> Disney and Bud Light come to mind here in the US, as does Qantas and Woolworths in Australia.

<sup>7</sup> Douthat, R. (2018) 'The Rise of Woke Capital', *The New York Times*, 28 February; Ramaswamy, V. (2021) *Woke, Inc. inside corporate America's Social Justice Scam*. New York: Center Street; Rhodes, C. (2023) *Woke capitalism: How corporate morality is sabotaging democracy*. Bristol: Bristol University Press.



<b>Polarisation</b>	distancing between group positions, misperceptions, and antagonism <sup>8</sup>
<b>Productivity</b>	reduced due to internal friction, distractions, and incivility <sup>9</sup>
<b>Wellbeing</b>	psychological safety, values conflict, self-censorship, ideological mismatch <sup>10</sup>
<b>Diversity</b>	of views and their expression compromised due to firm-level view

<sup>8</sup> Minson, J.A. and Gino, F. (2022a) *Managing a polarized workforce*, *Harvard Business Review*. Available at: <https://hbr.org/2022/03/managing-a-polarized-workforce> (Accessed: 11 March 2024); Chow, D. and Lees, J. (2021) *3 strategies to address political polarization in the workplace*, *Harvard Business Review*. Available at: <https://hbr.org/2021/07/3-strategies-to-address-political-polarization-in-the-workplace> (Accessed: 11 March 2024); Carucci, R. and Mehl, C. (2024) *Preparing your team for a year of intense political polarization*, *Harvard Business Review*. Available at: <https://hbr.org/2024/02/preparing-your-team-for-a-year-of-intense-political-polarization> (Accessed: 11 March 2024); Martin, R.L. and Reeves, M. (2022) *Strategy in a hyperpolitical world*, *Harvard Business Review*. Available at: <https://hbr.org/2022/11/strategy-in-a-hyperpolitical-world> (Accessed: 11 March 2024); Honma, Y. (2024) *Businesses can help to build trust in today's Polarized World*, *World Economic Forum*. Available at: <https://www.weforum.org/agenda/2024/01/businesses-build-trust/> (Accessed: 11 March 2024).

<sup>9</sup> He, Y. *et al.* (2019) 'Political identity dissimilarity, workplace incivility, and declines in well-being: A prospective investigation', *Stress and Health*, 35(3), pp. 256–266. doi:10.1002/smi.2856; Johnson, A.F. and Roberto, K.J. (2018) 'Right versus left: How does political ideology affect the workplace?', *Journal of Organizational Behavior*, 39(8), pp. 1040–1043. doi:10.1002/job.2291; Grim, R. (2022) *Meltdowns have brought progressive advocacy groups to a standstill at a critical moment in world history*, *The Intercept*. Available at: <https://theintercept.com/2022/06/13/progressive-organizing-infighting-callout-culture/> (Accessed: 11 March 2024); Porath, C.L., Foulk, T. and Erez, A. (2015) 'How incivility hijacks performance', *Organizational Dynamics*, 44(4), pp. 258–265. doi:10.1016/j.orgdyn.2015.09.002.

<sup>10</sup> Zacher, H. and Rudolph, C.W. (2022) 'Effects of person–occupation political orientation misfit on occupational identification: An experimental study', *Applied Psychology*, 72(3), pp. 1248–1269. doi:10.1111/apps.12433; Bermis, Y.S. and McDonald, R. (2018) *Managing Political Misfits*, *Harvard Business Review*. Available at: <https://hbr.org/2018/03/managing-political-misfits> (Accessed: 11 March 2024); Brown, L.W., Manegold, J.G. and Marquardt, D.J. (2020) 'The effects of CEO Activism on Employees Person-organization IDEOLOGICAL MISFIT: A conceptual model and research agenda', *Business and Society Review*, 125(1), pp. 119–141. doi:10.1111/basr.12196; Bermis, Y.S. and McDonald, R. (2018a) 'Ideological misfit? political affiliation and employee departure in the private-equity industry', *Academy of Management Journal*, 61(6), pp. 2182–2209. doi:10.5465/amj.2016.0817; Harvey, M. *et al.* (2018) 'Ostracism in the Workplace', *Organizational Dynamics*, 48(4), p. 100675. doi:10.1016/j.orgdyn.2018.08.006; Liu, C.-E. *et al.* (2020) 'Supervision incivility and employee psychological safety in the Workplace', *International Journal of Environmental Research and Public Health*, 17(3), p. 840. doi:10.3390/ijerph17030840; Miner, K.N. *et al.* (2021) 'Your politics are making me sick! political identity-based workplace incivility and physical health complaints during two U.S. presidential elections', *Occupational Health Science*, 5(3), pp. 361–389. doi:10.1007/s41542-021-00092-7; Paşamehmetoğlu, A., Guzzo, R.F. and Guchait, P. (2022) 'Workplace ostracism: Impact on social capital, Organizational Trust, and Service Recovery Performance', *Journal of Hospitality and Tourism Management*, 50, pp. 119–126. doi:10.1016/j.jhtm.2022.01.007; Thompson, L.R. (2021) 'Seeing red and blue: Political discrimination at work', *Journal of Management Inquiry*, 30(4), pp. 454–460. doi:10.1177/10564926211024358; Zacher, H. and Rudolph, C.W. (2022a) 'Effects of person–occupation political orientation misfit on occupational identification: An experimental study', *Applied Psychology*, 72(3), pp. 1248–1269. doi:10.1111/apps.12433.

<b>Disagreement</b>	rising amongst employees and difficulty containing and managing it <sup>11</sup>
<b>Activism</b>	responding to increasing internal pressure, expectations and advocacy <sup>12</sup>
<b>Retention</b>	and attraction; signalling effects to existing and potential workforce <sup>13</sup>
<b>Generations</b>	managing differing generational expectations over work/values balance <sup>14</sup>
<b>Institutions</b>	

<sup>11</sup> Reitz, M. and Higgins, J. (2021) *Don't ban 'politics' at work*, *Harvard Business Review*. Available at: <https://hbr.org/2021/07/dont-ban-politics-at-work> (Accessed: 11 March 2024).; Knight, R. (2020) *Managing a team with conflicting political views*, *Harvard Business Review*. Available at: <https://hbr.org/2020/10/managing-a-team-with-conflicting-political-views> (Accessed: 11 March 2024).; Carucci, R. and Mehl, C. (2024) *Preparing your team for a year of intense political polarization*, *Harvard Business Review*. Available at: <https://hbr.org/2024/02/preparing-your-team-for-a-year-of-intense-political-polarization> (Accessed: 11 March 2024); Kteily, N. and Finkel, E.J. (2022) *Leadership in a politically charged age*, *Harvard Business Review*. Available at: <https://hbr.org/2022/07/leadership-in-a-politically-charged-age> (Accessed: 11 March 2024).

<sup>12</sup> Miles, S., Larcker, D.F. and Tayan, B. (2021) *Protests from Within: Engaging with Employee Activists*, *Rock Center for Corporate Governance at Stanford University*. Available at: [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3801120](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3801120) (Accessed: 12 March 2024); Reitz, M. and Higgins, J. (2022) 'Leading in an Age of Employee Activism', *MIT Sloan Management Review*, 63(2), pp. 1–7; Porath, C. (2016) *How to avoid hiring a toxic employee*, *Harvard Business Review*. Available at: <https://hbr.org/2016/02/how-to-avoid-hiring-a-toxic-employee> (Accessed: 12 March 2024); Reitz, M. and Higgins, J. (2024) *A leader's Guide to Navigating Employee Activism*, *Harvard Business Review*. Available at: <https://hbr.org/2024/02/a-leaders-guide-to-navigating-employee-activism?ab=seriesnav-bigidea> (Accessed: 12 March 2024); Porath, C.L., Foulk, T. and Erez, A. (2015) 'How incivility hijacks performance', *Organizational Dynamics*, 44(4), pp. 258–265. doi:10.1016/j.orgdyn.2015.09.002; Reitz, M., Higgins, J. and Day-Duro, E. (2021) *The wrong way to respond to employee activism*, *Harvard Business Review*. Available at: <https://hbr.org/2021/02/the-wrong-way-to-respond-to-employee-activism> (Accessed: 12 March 2024).

<sup>13</sup> Roth, P.L. et al. (2022) 'Organizational political affiliation and job seekers: If I don't identify with your party, am I still attracted?', *Journal of Applied Psychology*, 107(5), pp. 724–745. doi:10.1037/apl0000932; Roth, P.L. et al. (2020) 'Political affiliation and Employment Screening Decisions: The role of similarity and identification processes.', *Journal of Applied Psychology*, 105(5), pp. 472–486. doi:10.1037/apl0000422.

<sup>14</sup> Leslie, B. et al. (2021) 'Generation Z perceptions of a positive workplace environment', *Employee Responsibilities and Rights Journal*, 33(3), pp. 171–187. doi:10.1007/s10672-021-09366-2; Twenge, J.M. (2023) *Generations the real differences between gen Z, millennials, gen X, boomers, and silents - and what they mean for America's future*. New York: Atria Books; Roth, P.L. et al. (2022) 'Organizational political affiliation and job seekers: If I don't identify with your party, am I still attracted?', *Journal of Applied Psychology*, 107(5), pp. 724–745. doi:10.1037/apl0000932; Roth, P.L. et al. (2020) 'Political affiliation and Employment Screening Decisions: The role of similarity and identification processes.', *Journal of Applied Psychology*, 105(5), pp. 472–486. doi:10.1037/apl0000422; Jeffs, L. (2021) *The Generation War At Work*, *Elle*. Available at: <https://www.elle.com/uk/life-and-culture/elle-voices/a35692653/war-at-work-generations/> (Accessed: 12 March 2024); Schroth, H. (2019) 'Are you ready for Gen Z in the Workplace?', *California Management Review*, 61(3), pp. 5–18. doi:10.1177/0008125619841006.

<b>Fiduciary duty</b>	responsibility blurred due to uncertainty over broadened focus from core <sup>15</sup>
<b>Decision making</b>	subjective process, seen by critics to be oriented to conformist thinking
<b>Governance</b>	confusion around company directors' responsibilities <sup>16</sup>
<b>Consistency</b>	with existing business practices and prior / future statements
<b>Precedent</b>	it sets for being expected or questioned as to why not on other issues
<b>Expertise</b>	in addressing and resolving the contested issue is often quite low
<b>Personal views</b>	how much a leader's own view should influence firm-level positions <sup>17</sup>
<b>Naive realism</b>	personal bias or false consensus that leads to differential perception over which issues are 'beyond politics' or which views are 'apolitical' vs political <sup>18</sup>
<b>Perception gap</b>	between business leaders and community on 'speaking out' <sup>19</sup>
<b>Reputation</b>	and goodwill diminished due to entanglement in controversy <sup>20</sup>
<b>Trust</b>	reduced in company and across the sector – even amongst those ideologically aligned – due to actual or perceived platforming, partisanship and politicisation <sup>21</sup>

<sup>15</sup> Bhagwat, Y. *et al.* (2020) 'Corporate Sociopolitical Activism and Firm Value', *Journal of Marketing*, 84(5), pp. 1–21. doi:10.1177/0022242920937000.

<sup>16</sup> Strine, L.E. (2022) 'Good Corporate Citizenship We Can All Get Behind?: Toward A Principled, Non-Ideological Approach To Making Money The Right Way', *The Business Lawyer*, 78, pp. 329–370.

<sup>17</sup> Chatterji, A., Toffel, M. (2018) *The New CEO Activists*, *Harvard Business Review*. Available at: <https://hbr.org/2018/01/the-new-ceo-activists>; Rhodes, C., Bloom, P., *CEO Society: The Corporate Takeover of Everyday Life*, ZED (2018); Goodman, P., *Davos Man: How the Billionaires Devoured the World*, HarperCollins (2022)

<sup>18</sup> Ross, L., Greene, D. and House, P. (1977) 'The "false consensus effect": An egocentric bias in social perception and attribution processes', *Journal of Experimental Social Psychology*, 13(3), pp. 279–301. doi:10.1016/0022-1031(77)90049-x; Ross, L., & Ward, A. (1996). Naive realism in everyday life: Implications for social conflict and misunderstanding. In T. Brown, E. S. Reed & E. Turiel (Eds.), *Values and Knowledge* (pp. 103–135). Hillsdale, NJ: Erlbaum; Pronin, E., Lin, D.Y. and Ross, L. (2002) 'The bias blind spot: Perceptions of bias in self versus others', *Personality and Social Psychology Bulletin*, 28(3), pp. 369–381. doi:10.1177/0146167202286008.

<sup>19</sup> Brunswick Group, *Political Trap*, Business and Politics Issue (2021). Available at: [https://www.brunswickgroup.com/media/9131/brunswick-the-critical\\_final-6.pdf](https://www.brunswickgroup.com/media/9131/brunswick-the-critical_final-6.pdf)

<sup>20</sup> Klostermann, J., Hydock, C. and Decker, R. (2021) 'The effect of corporate political advocacy on Brand Perception: An Event Study Analysis', *Journal of Product & Brand Management*, 31(5), pp. 780–797. doi:10.1108/jpbm-03-2021-3404; Mukherjee, S. and Althuizen, N. (2020) 'Brand activism: Does courting controversy help or hurt a brand?', *International Journal of Research in Marketing*, 37(4), pp. 772–788. doi:10.1016/j.ijresmar.2020.02.008.

<sup>21</sup> A Levin, Y. (2020) *A Time to build: From family and community to Congress and the campus, how recommitting to our institutions can revive the American Dream*. New York: Basic Books.; Clark, C.J. *et al.* (2023) *Even when ideologies align, people distrust politicized institutions* [Preprint]. doi:10.31234/osf.io/sfubr.; Clark, C. *et al.* (2023) *Politicization undermines trust in institutions, even among the ideologically aligned public* [Preprint]. doi:10.21203/rs.3.rs-3239561/v1; Zhang, F.J. (2023) 'Political endorsement by nature and trust in scientific expertise during COVID-19', *Nature Human Behaviour*, 7(5), pp. 696–706. doi:10.1038/s41562-023-01537-5.

<b>Negativity bias</b>	stronger backlash from those opposing the view vs those supporting <sup>22</sup>
<b>Distraction</b>	from core business, compounded when accompanied by core failure
<b>Politicisation</b>	of the firm as it signals its position on a matter of public debate <sup>23</sup>

Public Debate	
<b>Legitimacy</b>	seen as giving outsized power to companies as non-representative and unaccountable entities, in a way that distorts public debate and contestation, and weakens democratic institutions <sup>24</sup>
<b>Representation</b>	whose views the company is representing and the meaningfulness of doing so
<b>Impact</b>	often quite low on progressing the issue itself, notwithstanding the stance taken
<b>Oversimplifying</b>	reducing complexity to ‘two sides’ and where companies ‘stand’
<b>Equivalence</b>	with concerns over corporate political spending and lobbying <sup>25</sup>
<b>Cronyism</b>	conflicts of interest with political agendas, particularly amongst sectors dependent on government funding and support
<b>Virtue-signaling</b>	low-effort, high-reward attempt at social credit / goodwill
<b>Cancel culture</b>	reinforces retaliatory fears, reprisal, boycotting and deplatforming

Clearly, there are many threads to these concerns, and many of them are open to debate. Their interplay and causal relationships need to be examined to assess them properly. The important thing to note, however, is that these effects are experienced and advanced by people *across* the ideological and political spectrum – not just by those on ‘the other side’ of contested issues. While much ink has been spilt on the ‘shareholder’ vs ‘stakeholder’ models of business, the concerns transcend both and ought to be addressed *whichever* business model someone is inclined towards.

<sup>22</sup> Baumeister, R.F. *et al.* (2001) ‘Bad is stronger than good’, *Review of General Psychology*, 5(4), pp. 323–370. doi:10.1037/1089-2680.5.4.323; Hydock, C., Paharia, N. and Blair, S. (2021) ‘Should your brand pick a side? how market share determines the impact of divisive corporate political stances’, *NIM Marketing Intelligence Review*, 13(2), pp. 26–31. doi:10.2478/nimmir-2021-0013

<sup>23</sup> Taylor, A. (2024) *Corporate advocacy in a time of social outrage*, *Harvard Business Review*. Available at: <https://hbr.org/2024/02/corporate-advocacy-in-a-time-of-social-outrage> (Accessed: 22 March 2024).

<sup>24</sup> Reeves, M., Michael, M., Martinez, D., (2023) *Breaking the Vicious Cycle of Corporate Entanglement*; BCG Henderson Institute. Available at: <https://bcghendersoninstitute.com/breaking-the-vicious-cycle-of-corporate-entanglement/>; Rhodes, C. (2023) *Woke capitalism: How corporate morality is sabotaging democracy*. Bristol: Bristol University Press.

<sup>25</sup> Lund, D.S. and Strine, L.E. (2022) *Corporate political spending is bad business*, *Harvard Business Review*. Available at: <https://hbr.org/2022/01/corporate-political-spending-is-bad-business> (Accessed: 22 March 2024); Strine, L.E. (2022) ‘Good Corporate Citizenship We Can All Get Behind?: Toward A Principled, Non-Ideological Approach To Making Money The Right Way’, *The Business Lawyer*, 78, pp. 329–370.

## Corporate Sociopolitical Risk: A Framework & Recommendations

Whatever one makes of the foregoing analysis, three common denominators of previous corporate sociopolitical controversies begin to emerge:

1. **Social contest:** they involve highly contested issues attracting a broad range of views and an absence of social consensus.
2. **Relevance:** they involve issues not directly proximate to daily core business, reflected in the fact that normal operations were not integrated around progressing the issue
3. **Employees:** view spread either closely mirrored society's spread or were distinctive to the company; and companies found it difficult anticipating or balancing the difference between the two.

To avoid controversy, companies might consider whether and how to engage by assessing the level of external social contest against its direct relevance to the company's core business.

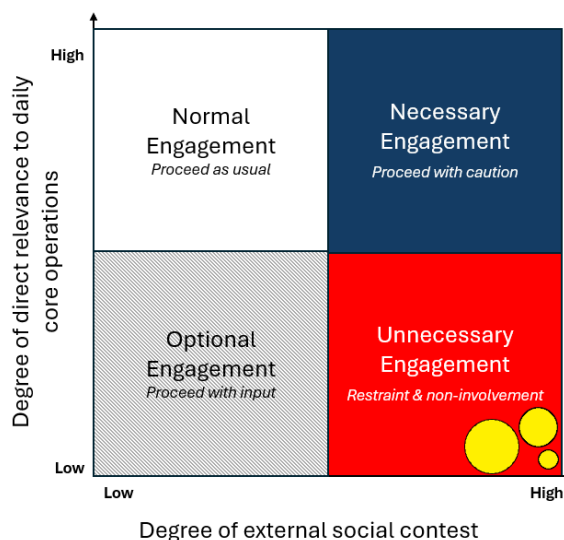
These elements can be represented on a heat map by plotting social and political issues along the axes of *contest* and *relevance*, with the *employee* dimension represented by size:

1. **Social contest:** the extent to which the issue is contested in society (Low > High)
2. **Relevance:** the proximity of the issue to daily core operations and activities (L>H)
- **Employees:** employee-views similarity with external society views (Small>Large)

The influence of subjective factors, personal bias, political orientations, or underlying worldviews in determining the interplay of these three elements around a given issue needs to be kept clearly in mind. To reduce or avoid this subjective influence, determinations should be made as objectively as possible and verified empirically (e.g. through surveys, independent polling, pulse checks, net promoter scores, etc).

The circle size represents the magnitude of difference between the internal employee view spread and external community view spread. i.e. larger circles indicate greater ideological dissimilarity, with smaller circles indicate greater similarity.

As quadrant lines are artificial and porous, no live controversy will sit squarely in one and will almost always contain aspects of another, and while objective analysis of contest, relevance and social views is paramount to plotting individual issues, it is impossible to completely remove subjectivity here.

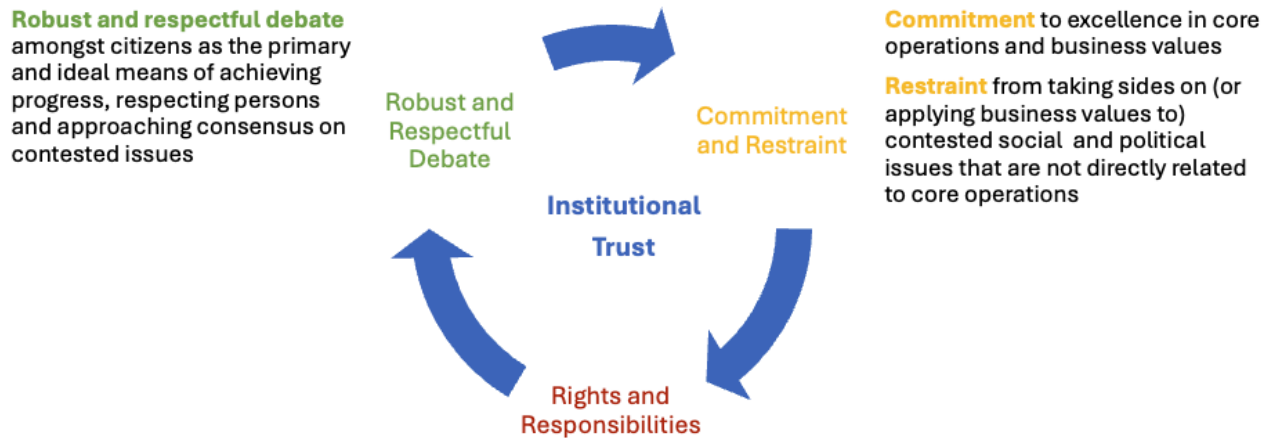


This results in 4 quadrants (and 4 recommended modes of engagement)

<p><b>High Relevance + Low Contest</b> <i>Normal Engagement</i> <b>Proceed as usual</b></p> <p>Every organization needs to manage the equilibrium of the business ecosystem and deal with public policy, regulatory, and industry considerations.</p> <p><i>Debates over corporate tax, industrial bargaining, worker conditions, flexible work, corporate governance, remuneration matters, and regulatory requirements, etc</i></p>	<p><b>High Relevance + High Contest</b> <i>Necessary Engagement</i> <b>Proceed with caution</b></p> <p>No organization can avoid social or political issues directly related to its operating business model, so engagement here is often inevitable and required.</p> <p><i>Energy companies on fossil fuels; social media's role in news and speech; logistics company on supply chain issues; retailer deciding whether to sell firearms, etc</i></p>
<p><b>Low Relevance + Low Contest</b> <i>Optional Engagement</i> <b>Proceed with input</b></p> <p>Organizations often play a positive role in the communities in which they operate by contributing to an issue that has broad social consensus or receives little attention.</p> <p><i>Pro bono legal work; philanthropic and charitable endeavors; contributions towards educational, health, environmental and community issues, etc.</i></p>	<p><b>Low Relevance + High Contest</b> <i>Unnecessary Engagement</i> <b>Restraint and non-involvement</b></p> <p>Organizations can exercise restraint from voluntarily taking public stances or getting entangled in highly contested issues that do not directly relate to core operations.</p> <p><i>Beverage company using transgender person to sell beer; bank dropping a client due to their political beliefs; sporting body firing someone due to their religion, etc</i></p>

## Starting points for handling things better

Although some may think that this recommendation implies 'silence' – rationalized by expedience and risk avoidance – this paper proposes a highly active and positive role for business leaders in developing the habit of corporate restraint on contested issues for the sake of fostering shared goods elsewhere. To that end, the following should be explored as mutually reinforcing starting points for restoring trust in institutions at the intersection of business, politics and society:



**Robust and respectful debate** amongst citizens as the primary and ideal means of achieving progress, respecting persons and approaching consensus on contested issues

**Commitment** to excellence in core operations and business values  
**Restraint** from taking sides on (or applying business values to) contested social and political issues that are not directly related to core operations

Respect actively demonstrated for all persons and their **right** to hold their own views on contested issues.

**Responsibility** means that when **employees** express their views on contested issues, they do so in ways that do not distract or detract from core operations, acknowledge others’ rights to express their own views, and the possibility that such views may be held in good faith.

**Responsibility** means that when **employers** choose to facilitate discussion of contested issues – as well as direct involvement with adjacent areas (e.g., DEI and ESG) – they do not distract from core operations but also acknowledge others’ rights to express their own views as well as the possibility that such views may be held in good faith, and do so through institutionally appropriate forums and initiatives.

Figure 4: Recommended mutually reinforcing starting points for navigating socio-political issues

Strong and clear leadership around these starting points would reduce the intensity and duration of catalysts, stably ground the organization to respond more coherently under pressure and inoculate the company against the vicissitudes of contested issues that emerge in hyperpolitical environments.

They would also mitigate previously mentioned adverse effects on:

	Employees	Institutions	Public debate
<b>Commitment &amp; Restraint</b>	Restraint respects the diversity of viewpoints as it <i>enables</i> their free expression	Provides a principled and ideologically neutral basis for corporate socio-political engagement	Restores institutional trust by focus on core operations and business values
<b>Rights &amp; Responsibilities</b>	Responsibilities fall equally on all sides and are designed to minimize disruption	Enables greater socio-political awareness, input and understanding	Cultivates and models healthy disagreement, pluralism, and tolerance of views
<b>Robust &amp; Respectful Debate</b>	Encourages employees to play their own unique civic role in the public sphere	Shifts focus to encouraging respectful and civil debate in appropriate settings	Provides a more sustainable basis for achieving progress on issues in society

Any institution adopting these starting points as the basis for responding to contested social and political issues will find that much depends on the particularities involved when an issue becomes live. They will also find that resistance and concerns will still arise, as is always the case when people have strong views on either side of an issue.

It is an approach, however, which is grounded and realistic, and already being tried. Similar approaches have already been deployed in financial and educational settings – including the Charles Schwab Corporation<sup>26</sup> and the University of Chicago<sup>27</sup>, respectively – and should continue to be explored in other sectors too (e.g. cultural, sporting, media, consulting, and consumer goods).

## Conclusion

While no one-size-fits-all approach exists or will satisfy everyone, these starting points should be explored as a way of providing a more stable and principled basis to navigating fast-evolving and hyperpolitical environments. These starting points offer a way of navigating contested social and political issues proactively and calmly, with better (not perfect) outcomes for employees, institutions and society. Had such considerations been better factored into corporate governance thinking earlier, they may have enhanced strategic thinking and reduced the likelihood of mistakes.

I hope this article will help to spur renewed reflection about the possibility of working well with those with whom we disagree, and renewed hope in the possibility of living well together.

## Author

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<sup>26</sup> Charles Schwab Corporation, Why We Don't Take Sides on Political Issues. Available at:

<https://www.aboutschwab.com/why-we-dont-take-sides-on-political-issues>

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<https://www.wsj.com/articles/hamass-barbarity-heightens-the-crisis-in-higher-education-free-speech-anti-semitism-0eb27bd9>



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## **ENDNOTES**