

THE IMPACT OF CEO ACTIVISM IN BRAND REPUTATION: THE PROZIS CASE

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With marketing changing from a logic of purpose to a logic of action, and with consumers becoming more belief driven and increasingly assuming their social positions, organizations have been also asked to position themselves and choose a side on controversial, often divisive, sociopolitical issues. According to Rumstadt and Kanbach (2022), the public expects CEOs to take stances on social debates, independent of their business relatedness, with 65% of consumers assuming that they want CEOs to speak on major social issues (Hou & Poliquin, 2023).

Although conventional wisdom holds that CEOs should avoid wading into society's debates (Hambrick & Wowak, 2021), nevertheless, all over the world, CEOs from huge companies, such as Disney, Nike, IBM, Starbucks, GAP, Amazon, Patagonia, Microsoft, Unilever, Siemens, Netflix, or Apple, among others, have taken public positions on some controversial issues, such as politics, diversity, gun control, immigration, abortion, or equal pay, just to name a few. Mark Benioff, the Salesforce CEO, for example, use to hold periodic dinners to explain why he views public activism as part of the modern CEO's job.

By publishing a list of numerous CEOs who have become involved in socio-political causes in recent times, Mkrtchyan et al. (2022) showed an upward trend in the proportion of CEOs who engaged in some form of activism, rising from 0.98% in 2011 to 37.53% in 2019. In fact, CEOs speaking out to try to influence social issues appears to be something that is here to stay, as every day the number of leaders talking about causes that are not directly related to the organizations' core business they lead, on topics ranging from climate change to respect for sexual orientation, from racial issues to gender equality, among others (Chatterji & Toffel, 2019), is increasing.

Furthermore, CEOs' socio-political activism attracts a great public interest, essentially due to their extreme influence, a consequence of their huge public visibility and positional power (Branicki et al., 2020). These public positions gave rise to the so-called "CEO activism", that Hambrick and Wowak (2021, p.34) have defined as "a business leader's personal and public expression of a stance on some matter of current social or political debate, with the primary aims of visibly weighing in on the issue and influencing opinions in the espoused direction". This definition highlights the "*symbolic dimension*" of the role of a leader, whose actions affect the trajectories of their organizations at least as much as their substantive actions (Pfeffer, 1977, 1981, cited in Wowak et al., 2022).

Although Kathy Bloomgarden (2019) have questioned, on the World Economic Forum website, whether CEOs – whom she dubbed activists – should talk about social causes that concern the entire community and, ultimately, the entire planet, the fact is that, probably because of its impact, CEO activism results in positive market reactions and higher valuations of the firms (Mkrtchyan et al., 2022). The same conclusions were reached by Rumstadt and Kanbach (2022) who found that CEO activism seems to have a direct influence on consumers' willingness to purchase from a company. Maybe because of this, over the last decade, business leaders have increasingly engaged in taking public stances on several social and political issues that affect their employees, customers, communities, the environment, and so on. Interestingly, as Melloni et al. (2019) refers, if a CEO takes a stand on some side of the debate, is considered as "CEO activism", but if it doesn't take any position, that can be seen as "strategic ambiguity".

Nevertheless, one should bear in mind that taking a stance on controversial issues is different than just support some social issues, even if they're related to global social problems, as it is the case of corporate social responsibility (CSR). It is commonly acknowledged that CSR is better accepted than corporate activism, especially because the first is usually associated to causes that everybody agrees (environment protection, support local communities, etc.), while the latter is connected to divisive questions that

polarize society. Another difference is that activism is unapologetically visible, not hidden discreetly, like several other forms of corporate influence, as donation-giving or lobbying (Hambrick & Wowak, 2021), just to name a few.

But what prompts a CEO to speak out? For Hambrick and Wowak (2021), the CEO's own values system are of paramount importance, but CEOs also analyse the possible reactions of the closest and most important stakeholders, such as employees and customers, by weighing the degree by which these publics share the same values and would (or not) support a specific action. This way, they try to reduce possible backfire. Even so, taking a stand always raises several issues. For Melloni et al. (2019) there are at least two consequences: the first one is that of course there will be always audiences that don't agree with the CEO's point of view and, therefore, may reject to buy products from that company. This is corroborated by Rumstadt and Kanbach (2022), who reminds us that one of the possible risks that executives take when publicly weighing in on political issues, is irritating stakeholders and that may lead to negative reactions or sales boycotts. This reaction of buying products to express an opinion or to make a statement, as an extension of their beliefs, values, and lifestyles is, for consumers, an opportunity to make an impact and exercise their power (Eyada, 2020) and is known as political consumerism (Clarke, 2008; Manfredi-Sánchez, 2019; van Deth, 2014, Vázquez, 2014).

The second consequence is that CEO activism may be seen as profit motivated, and if so, consumers tend to avoid or, at least, relativize CEOs communications.

Taking a public stance is, therefore, often a true double-edged sword, since organizations are made up of people, who are citizens above everything else, and the line between what is private and what is public often becomes diffuse. CEOs, the "most visible face" of organizations, are now facing this great dilemma, as their opinions and public attitudes are simultaneously from a citizen and from a leader, with no clear frontiers, as seen in the case with the CEO of Prozis, who issued a controversial personal opinion, by

publicly welcoming the decision of the US Supreme Court to revoke the protection of the right to abortion. As a result, the company he leads had suffered consequences, having been the target of numerous censorship, cancellations of contracts with influencers and personalities who did not want to be associated with these statements, as well as thousands of common people who unfollowed the brand on social networks and publicly assumed that they would no longer consume products from that company. The author therefore postulates that the attitude of the CEO of Prozis had an impact on the reputation of the company he leads. By analysing the case of Prozis, this article seeks to explore the impact and consequences of CEO activism on brand reputation.

According to Herbig and Milewicz (1993), to be successful in the market, brands need to have a good reputation, since brands and organizations with a better reputation attract more customers. To this benefit, Doorley and Garcia (2020, p. 4), added the attraction of “more and better candidates for employment, pay less for supplies, gain essentially free press and social media coverage that can be worth much more than advertising, and accrue other benefits that actually contribute to profits.”

For the present study, we'll use the definition of corporate reputation as “a collective assessment of the attractiveness of a company for a specific group of stakeholders relative to a reference group of companies with which the company competes for resources” (Fombrun, 2012: 100). Although the construct of corporate reputation has been defined in several different ways over the years, and therefore, makes it difficult to agree in a concrete and single definition, there is the notion that a good reputation enhances the value of the organization (Dowling, 2016). In 2019, Veh et al. have analysed 5885 publications on corporate reputation, published until 2016, and found that this construct is a valuable intangible asset that contributes to a competitive advantage in the market, which enhances a superior financial performance (p. 316).

Doorley and Garcia (2020, p.37) advanced with this interesting formula of reputation: $R = (P+B+C) \times Af$. For the authors, Reputation is the sum of Performance, Behaviour and Communication, all of this multiplied by the Authenticity factor. Authenticity is the indicator of how well an organization lives up to its intrinsic identity. This is, when there is authenticity, the organization is whole, undiminished, but when it fails, its reputation will decline, once it will be a fraction of the sum of $P + B + C$. So, if any one of these factors is pinched, this has consequences on the company's reputation.

Since performance can be seen as the functionality (in this case of Prozis' products) and those didn't have any functional problem, change, or decrease in quality, we will focus on communication and behaviour, to try to understand its impact in this specific case. By one hand, how the CEO statements were received by the consumers. On the other hand, which consequences it brought in terms of costumers' conduct, both in buying behaviour and attitude towards the brand.

To that end, an online survey with 550 valid answers were conducted between March 13th and April 12th, 2023. The sample included 1.8% of people that prefer not to answer to gender type, 60.9% of females and 37.3% of males. 8.9% are Baby Boomers, 35.8% Gen X, 22% Gen Y and 33,3% Gen Z. Regarding the professional situation, 47.5% are working for someone else, 25.3% are students, 11.8% are self-employed without dependent workers and 8.9% are self-employed with dependent workers. Finally, 2.9% are unemployed and 3.6% are trainees. As to their political position, the distribution is almost perfect with 0.5%, 7.3%, 23.8%, 37.6%, 21.6%, 7.8% and 1.3% of the extreme left, left, centre-left, centre, centre-right, right, and extreme right, respectively.

As for the results, the participants didn't show any differences when asked if they think a CEO should take a public position on a cause that concerns him or her personally (72.4%) or causes involving their organization or their employees (72.4%).

Although 73.5% assumes that any CEO should have the right to express their personal opinions, in this specific case of Prozis' CEO declarations, 76.7% of the respondents consider that the reputation of the brand was affected, and 69.1% disagree or strongly disagree with those statements. Even so, more than half (51.6%) stated that they did not (or would not) stop buying Prozis products due to those declarations of its CEO.

Finally, 55.8% of respondents assumed that, even if Prozis changed the CEO, the Image/Reputation of the brand would not be the same again, which reinforces the idea that the attitudes of the leaders have a direct impact on companies' reputation.

Moreover, 69.8% consider that if this CEO moved to another company, the new organization would be affected, showing that despite the direct correlation between leaders' attitudes/organizations' reputation, people can still differentiate a personal opinion from an organizational position, and associate the socio-political positions to those who state them.

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