

Stanford SOCIAL INNOVATION^{Review}

Research
Boycotts and Corporate Boards
By Chana R. Schoenberger

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RESEARCH

marketing at the University of Illinois at Urbana-Champaign. Instead, those who have moved previously think of themselves also as members of a different group: global citizens.

“It’s this idea that as you move, you become less attached to any particular place, and you think of yourself as somebody who is more cosmopolitan, more open to the world as a whole instead of a locality,” he says. ■

Yajin Wang, Amna Kirmani, and Xiaolin Li, “Not Too Far to Help: Residential Mobility, Global Identity, and Donations to Dis- tant Beneficiaries,” *Journal of Consumer Research*, forthcoming.

BUSINESS

Boycotts and Corporate Boards

BY CHANA R. SCHOENBERGER

It’s a familiar occurrence in today’s social media-driven call-out culture: Activists demand a boycott of a company for failing to live up to important values. Sometimes those values are progressive, such as environmental protection or LGBT rights; other times they are conservative, such as religious freedom or gun rights. Social movements have found boycotts to be an effective means of changing corporate behavior, betting that alienating a firm’s customers and business partners will sap its revenues and force it to change its ways.

A new paper looks at boycotts in a different light, by considering their effect on the firm’s board of directors.

“We find that boycotts provoke a significant increase in turnover at targeted firms, and that directors are especially likely to leave after boycotts that signal that the firm’s social values conflict with their personal values,” write authors Mary-Hunter McDonnell, an associate professor of management at the Wharton School of the University of Pennsylvania, and J. Adam Cobb, an associate professor of Business, Government, and Society at the McCombs School of Business at the University of Texas at Austin.

The researchers sampled 120 boycotts of companies that occurred between 2000 and 2014 and examined how those boycotts affected director turnover. Firms in the sample saw a 7 percent increase in turnover, or a 30 percent increase over the rate of firms not affected by boycotts.

The researchers assessed individual directors’ ideological leanings by seeing which political campaigns they supported, a matter of public record. They found that directors are more likely to quit a board when they share the values, whether liberal or conservative, of the social movement targeting the company. But conservative directors are more likely to stand their ground on the board when a liberal movement comes after the company than the converse—when liberal directors face a boycott by conservative activists. This finding is consistent with a hypothesis known as “rigidity of the right,” advanced by University of Pennsylvania professor Philip Tetlock, which holds that

people tend to be more doctrinaire as they move politically to the right.

This insight that “social boycotts that are in line with individual board members’ own political preferences lead to a greater propensity to involuntarily leave a board seat” is the paper’s most important finding, says Sarah Soule, a professor of organizational behavior at the Stanford Graduate School of Business, who has researched protest movements’ effects on companies.

The paper further finds that social movement boycotts affect directors’ decisions to quit the board only if the boycott creates an adverse market reaction and the criticism leveled at the firm is surprising. A director of ExxonMobil, for instance, already knows the company drills oil and isn’t likely to be shocked at the company’s pro-fossil-fuel stance.

“Board members interpret the new information provided by a boycott, and if the information leads them to have cognitive dissonance about the firm, they are more likely to leave a board seat,” Soule says.

The paper looks beyond the effect of boycotts on a company’s customers.

“What our paper did is show that the people within firms are critical audiences for social movements as well,” McDonnell says. Further research could look at whether the same conclusions hold true for the firm’s employee base as a whole, as long as there was a way to measure employees’ political affiliations.

“One of the most frightening findings suggests that an accidental effect of social movements is that they might drive out their most likely allies within the firm by highlighting how the firm isn’t aligned with their own values,” McDonnell says. Previous work on corporate governance suggests that directors “tend to be pretty fickle, among the quickest to jump ship,” she says, because the company typically isn’t their primary employer and they are concerned about their own reputations.

“Directors, like other members, may derive intrinsic motivation from the perception of values alignment with the firms they serve,” the authors write. “Insofar as crises promote negative cues about a firm’s values, they may undermine this facet of motivation, prompting exit.”

How can this research help directors select boards on which to serve? They ought to join “companies with values and practices that align with their own if they plan to stay on the board for the long haul,” Soule says. This point, however, raises a different problem: Research by Soule’s Stanford GSB colleague Deborah Gruenfeld and others has shown that diverse opinions lead to better decision-making.

“Thus if all board members chose to serve on boards of companies with aligned values, we might see poorer decisions made by the board,” Soule says. ■

Mary-Hunter McDonnell and J. Adam Cobb, “Take a Stand or Keep Your Seat: Board Turnover After Social Movement Boycotts,” *Academy of Management Journal*, vol. 63, no. 4, 2020, pp. 1028–1053.