In recent years, we have seen a growing trend of stakeholder issues becoming prominent in discussions of corporate governance. This phenomenon is broadly known as ESG (environmental, social, and governance) and is characterized by pressure on companies to increase the attention they pay to and the investment they make in initiatives to advance the interests of all stakeholders—not just shareholders—including employees, suppliers, customers, and society.1

One source of this pressure comes from an unexpected constituent: the company’s own employee base. To a greater extent than in the past, workers are pressuring employers to take policy stances and advocate on behalf of social, environmental, or political issues not necessarily directly related to the company’s core business.2 The issues involved are extremely broad and include environmental sustainability; reducing waste, pollution, or carbon emissions; workplace equality; diversity and inclusion; human rights violations; immigration policy; government defense contracting; gun control; free speech; and protesting statements of policymakers or politicians. Employee activism is related in spirit to unionization efforts—the crucial difference being that unionization efforts focus on improved working conditions for employees (through wage increases, benefits, safety, etc.) while activism encourages broader social and political activity which may or may not benefit an individual employee.

Data from Marketing Scenario Analytica (MSA) demonstrates the sudden emergence of employees as a source of ESG activism. Taking a two-month measurement period (May and June), MSA finds a 50 percent increase in employee activism events between 2018 and 2020, and a near tripling of events from 2019 to 2020. Furthermore, the issues involved in employee activism have become more diverse: in 2018, employee activism focused more exclusively on the treatment of women in the workplace, whereas more recently it has included a broader set of social, political, and environmental issues (see Exhibit 1).3

According to a 2020 survey by Povaddo, half of U.S. employees believe their company is facing growing pressure to be more vocal on societal issues, and 44 percent believe corporate America’s role in addressing these issues will increase.4 A few examples demonstrate the diversity of companies and subject matter involved:

- **Wayfair.** In 2019, employees staged a walkout in protest of the company’s sale of furniture to an immigrant detention center at the U.S.-Mexico border. A letter signed by 500 employees stated, “We believe that the current actions of the United States and their contractors at the southern border do not represent an ethical business partnership Wayfair should choose to be a part of.”5 Wayfair management responded that “although their passion and commitment were appreciated, the contracts would be honored.”6

- **Amazon.** In 2019, more than 4,000 employees signed a letter calling on the company to take an aggressive stance in combatting climate change. It asked for firm commitments to reduce Amazon’s carbon footprint. The company responded by highlighting initiatives underway to reduce carbon emissions in its distribution network.7 In a related move, 28 current and former employees sponsored a proxy resolution requiring the company to report on its contribution to climate change and the potential impact of climate change on its operations. Management did not support the proxy resolution, which did not pass.8

- **WalMart.** In 2019, 50,000 employees signed a petition protesting the company’s sale of firearms through its retail outlets. It called on management to cease the sale of all firearms and ammunition, ban open and concealed carry on company property, and stop donations to politicians supported by the National Rifle Association.9 The company discontinued sales of handguns and select rifle equipment, but continued to sell arms and ammunition for hunting. It curtailed its open-carry policy but allowed concealed carry where legal: “We will treat law-abiding customers with respect, and we will have a very non-confrontational approach. Our priority is your safety,” the company’s CEO said.10
• **American Eagle Outfitters.** In 2020, countless companies were urged by their employees to speak out against racial injustice following the death of George Floyd and to commit themselves to greater workplace equality and inclusion. American Eagle Outfitters opened an Inclusion & Diversity department, implemented training for senior leadership, adopted rules to require the interview of minority candidates for open corporate positions, and donated funds to national nonprofits.11 "Other employers don’t know how to react, but silence is not going to work,” said one senior leader. “We view silence as an acceptance of racism. It’s not helping the cause.”12

• **Alphabet.** Alphabet has been faced with recurring cases of employee activism. In 2018, employees protested work the company performed for the U.S. Defense Department, causing Google not to renew its contract.13 That same year, employees staged a walkout over reports that Google had paid severance to senior executives accused of harassment.14 In 2019, the company decommissioned an independent review panel intended to advise the company on the ethical use of artificial intelligence because of employee dissatisfaction with third-party members invited to sit on the board; it also faced backlash for terminating a senior employee conducting artificial intelligence research.15 On multiple occasions, employees have protested guest speakers at the company campuses, and in 2021 more than 400 engineers and other employees voted to unionize.16 Google has developed guidelines to moderate internal discussion groups, saying it would discipline employees whose discussions are “disruptive to a productive work environment.”17

While an undercurrent of activism has always existed in large corporations, recent changes in technology and culture have brought it to the forefront. On the technology front, internal messaging boards (such as Slack) have changed the way employees communicate. Messages can be communicated directly (person-to-person), through private group channels (such as #HumanResources, dedicated to HR topics), or through enterprise-wide public groups. These technology platforms allow for near continuous communication among employees and across larger work groups, and allow single employees to amplify their voices. Although intended for work-related communication, discussions can shift to non-work-related topics.18 The use of personal social media technology (such as Facebook and Twitter) during work hours keeps social and political issues top of mind and heightens the likelihood that public issues find their way into workplace conversations.

On the culture front, the employer-employee relationship has also changed. Advancements in technology, the use of remote work environments, and greater job fluidity (particularly among knowledge workers) have resulted in employees feeling a greater sense of independence and empowerment. As a result, more employees feel comfortable expressing opinions that they historically might not have vocalized and also making demands of their employers, without perceiving it to be inappropriate or having an adverse impact on their compensation or career prospects.

Employee activism, however, poses risks to employers and workers. The elevation of non-workplace issues can be distracting to employees and reduce productivity. It can alienate employees who disagree with the proposed stances of their colleagues or wish to keep social and political issues separate from work. From a commercial standpoint, it can impact corporate or brand reputation and harm customer perception of the company's value proposition, leading to lower purchase intent. To this end, a 2018 survey on CEO activism found that customers are more likely to stop using a product of a company whose CEO takes a stance that they disagree with than they are to start using a product whose CEO takes a stance they agree with.19 It is not hard to imagine similar economic effects when companies are identified with the controversial public opinions of employees.

At the same time, restricting employee activism can harm the morale and motivation of talented and engaged employees, especially if they come to believe their employer does not respect their values. Limiting activist expression also stands contrary to the principle of free speech, and can cast the employer in a negative light not only with respect to its employees, but also with customers, media, and the public.

Some companies have attempted to manage their exposure to employee activism through policies that set boundaries on the types of activities they will engage in. Examples include the following:

• **Coinbase.** In 2020, the CEO of Coinbase committed the company to focus exclusively on its mission. It would not engage in “broader societal issues” that are “unrelated to our core mission.” The CEO explained:

  *The reason is that while I think these efforts are well intentioned, they have the potential to destroy a lot of value at most companies, both by being a distraction, and by creating internal division. We’ve seen what internal strife at companies like Google and Facebook can do to productivity, and there are many smaller companies who have had their own challenges here. I believe most employees don’t want to work in these divisive environments. They want to work on a winning team that is united and*
making progress toward an important mission. They want to be respected at work, have a welcoming environment where they can contribute, and have growth opportunities. They want the workplace to be a refuge from the division that is increasingly present in the world.20

The company offered severance to employees who did not embrace this focus. Five percent of employees accepted the offer.21

• Shopify. Shopify, based in Ottawa, Canada, faced pressure from employees and external activists to do more to advance the well-being of indigenous people in that country.22 Not wanting to invest in activities outside of its core mission of supporting entrepreneurs and helping them build their business, senior leadership announced a partnership with organizations in Canada and New Zealand to promote entrepreneurship among indigenous peoples. The decision allowed the company to support a social cause through its core mission, without expanding the scope of its activities.23

• BHP. BHP, the Australian-based mining company, takes a broad view of its role in society and has committed to invest in an extensive set of stakeholder causes—such as carbon neutrality of its supply chain, protecting the rights of indigenous people on whose land the company mines, protecting the health and safety of its miners, and protecting the human rights of its employee base.24 Nevertheless, the company is very specific about how its investments in these areas apply to its business model, and the company uses a strict risk framework to vet social, environmental, and political engagement.

These examples illustrate the variety of approaches that companies might take to mitigate the risks of employee activism. Although their ultimate approaches differ significantly, they share common elements. These include:

1. Mission and Purpose. The company develops a clear mission and value statement. This can be narrowly or broadly construed—meaning it can be strictly shareholder-centric or can be broadly inclusive of stakeholders—so long as it is clearly defined. A clear mission statement specifies the scope of activities that the company will and will not engage in and provides a framework for the board and management to use to evaluate stakeholder-related claims within the context of the company’s value-creation model. It also allows the company to express that it has a conscience for achieving social good within the sphere of its business activity.

2. Communication. Management clearly and consistently communicates its mission and values to internal and external constituents. By specifying the demarcation line of the company’s activities, the company sets boundaries for employee expectations on the issues it will engage in, while still exhibiting the social empathy that many employees are seeking from the companies they work for. Communicating this information in advance can forestall more extreme forms of employee activism that are distracting to the company.

3. Oversight and Implementation. The company remains consistent in its approach to investing in ESG-related causes at the heart of many employee activism events. Consistency prevents “mission creep,” and keeps the conversation focused on the activities that management is willing to engage in. A key challenge will be to maintain the flexibility required to respond to changing circumstances without losing control of the overall ESG agenda. Obviously, companies need to make sure that employees know about their commitment to ESG, and perhaps even include employee groups in this discussion.

WHY THIS MATTERS

1. Employee activism has exploded onto the scene in recent years. How well does management understand the sentiments of its employee base and the potential impact it has on productivity or sales? Do they gauge employee sentiment through the annual employee survey? Do they understand customer sentiment regarding these same issues? Do they monitor activism among competitors and other firms in their local geography?

2. Employee activism is a natural outgrowth of the broader push for ESG and the consideration of stakeholder issues in the boardroom. However, there are clear costs to investing in ESG, and where a company draws the line has both economic and managerial implications for the firm. How clearly do management and the board understand the mission of its company? Do they thoughtfully evaluate stakeholder claims within the scope of this mission? How well have they set the boundaries on ESG-related initiatives, particularly those advocated by employees?

3. The examples in this Closer Look suggest that some companies take a reactive approach to employee activism, whereas others have proactively identified what topics of activism they will consider. What role does the board play in setting this approach? What discussions take place in the boardroom? How well do directors understand the approach that management is taking to manage employee activism?

4. Views on employee activism differ. Some consider employee activism a distraction from core economic activities, leading to decreased productivity. Others view it as an important part of a company’s social engagement (the S in ESG), required for
attracting and retaining talent in today’s labor market. Can both be true? Does it differ by company? How can the board and management encourage the appropriate level of activism? How can they engage over relevant issues without letting the activism become a distraction from the company’s core mission?

5. Some experts recommend careful monitoring of internal messaging channels and discouraging the use of those channels for social or political discussion. What are the legal and economic implications of this type of a policy? Does it impact productivity? Does it impact morale? Does it deprive employees of basic rights?


2. For an examination of CEO activism—the related trend in which CEOs advocate on behalf of these same issues—see David F. Larcker, Stephen A. Miles, Brian Tayan, and Kim Wright-Violich, “The Double-Edged Sword of CEO Activism,” Stanford Closer Look Series (November 8, 2018).


8. Amazon Inc., Form DEF 14A (April 11, 2019); and “8,000 Amazon Employees Asked the Company to Do More on Climate Change. Shareholders Just Said No,” Vox (May 22, 2019).


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The Stanford Closer Look Series is dedicated to the memory of our colleague Nicholas Donatiello and to the retirement of our colleague Michelle E. Gutman.
The Stanford Closer Look Series is a collection of short case studies that explore topics, issues, and controversies in corporate governance and leadership. It is published by the Corporate Governance Research Initiative at the Stanford Graduate School of Business and the Rock Center for Corporate Governance at Stanford University. For more information, visit: http://www.gsb.stanford.edu/cgri.

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### EXHIBIT 1 — EMPLOYEE ACTIVISM EVENTS, MAY AND JUNE 2018-2020

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total social risk events</td>
<td>272</td>
<td>393</td>
<td>412</td>
</tr>
<tr>
<td>(for the 2 month period)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total employee activism events</td>
<td>108</td>
<td>58</td>
<td>156</td>
</tr>
<tr>
<td>Employee activism events, as a</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% of total events</td>
<td>40%</td>
<td>15%</td>
<td>38%</td>
</tr>
<tr>
<td>Technology company employee activism events</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rank vs all other industries</td>
<td>16</td>
<td>13</td>
<td>24</td>
</tr>
<tr>
<td>% of total social risk events</td>
<td>6%</td>
<td>3%</td>
<td>6%</td>
</tr>
<tr>
<td>% of employee activism events</td>
<td>15%</td>
<td>22%</td>
<td>15%</td>
</tr>
<tr>
<td>2nd ranked industry for employee activism events</td>
<td>Entertainment</td>
<td>Retail</td>
<td>Communications</td>
</tr>
<tr>
<td>% of employee activism events</td>
<td>11%</td>
<td>17%</td>
<td>14%</td>
</tr>
<tr>
<td>Top social issue for employee activism</td>
<td>Sexual harassment</td>
<td>Sexual harassment</td>
<td>Racial Issues</td>
</tr>
<tr>
<td>% of employee activism events</td>
<td>65%</td>
<td>28%</td>
<td>28%</td>
</tr>
<tr>
<td>Top 3 social risk issues</td>
<td>Sexual harassment</td>
<td>Sexual harassment</td>
<td>Racial issues</td>
</tr>
<tr>
<td>Gun ownership</td>
<td></td>
<td>LGBTQ issues</td>
<td>Economic fairness</td>
</tr>
<tr>
<td>Racial issues</td>
<td>Corp social responsibility</td>
<td>Corp social responsibility</td>
<td></td>
</tr>
</tbody>
</table>

Note: Data includes events occurring in May and June of the respective year. Social risk events include all incidents reported in the press of companies facing social, environmental, or political pressure from internal or external stakeholders. Employee activism events include only social risk events initiated by employees of the firm.

Source: Marketing Scenario Analytica's (MSA) Risk Event Database.