

# When to Talk Politics in Business: Theory and Experimental Evidence

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## Abstract

CEO political activism, wherein firm leaders communicate stances on overtly political issues unrelated to their core business, is on the rise. Yet we know little about the strategic implications of doing so. How does such communication influence perceptions of the firm? We propose a parsimonious formal model of responses to CEO political activism to elucidate key mechanisms underlying how firms' choices regarding whether to communicate a stance on either side of an issue, explicitly communicate an apolitical stance, or say nothing, affect perceptions of the firm. We then test the predictions of our model using two survey-based experiments. Our paper identifies boundary conditions under which perceptions of the firm are improved by taking (which) stances, and helps to reconcile extant mixed evidence.

# 1 Introduction

CEO social-political activism, wherein firm leaders communicate public stances on social and political issues unrelated to their core business, has increased in recent years (Chatterji and Toffel, 2019). Yet we know relatively little about the strategic implications of this practice (Wowak et al., 2022). Scholars have only recently begun to consider why firms take stances (Branicki et al., 2021; Eilert and Cherup, 2020; Hambrick and Wowak, 2021; Nalick et al., 2016) and how they respond to other firms' positioning (Mohliver et al., 2022) on such issues. Amongst studies examining responses to stance-taking, results have been mixed (for positive responses see Chatterji and Toffel (2019), Dodd and Supa (2014) and Mohliver and Hawn (2019 WP); for negative, see Burbano (2021a), Bhagwat et al. (2020), Pasirayi et al. (2022) and Hou and Poliquin (2022)). More work is clearly needed, then, to consider the conditions under which such stances can positively influence perceptions of the firm.

In the past few years, CEOs have begun to communicate public stances on overtly political issues unrelated to their core business. That is, to engage in what could be considered to be an important and particularly recent type of CEO activism: CEO political activism. This includes CEOs' public endorsement of political candidates, such as the CEO of Expensify's dissemination of a company-wide email that endorsed Joe Biden for the US presidency in October 2020, and the CEO of MyPillow tweeting in January 2021 that the US presidential election was rigged and that Donald Trump won. It also includes CEOs' public communication in favor of, or opposed to, political policies or laws, such as Disney's communications about the Florida HB 1557 law, referenced by some as the "Don't Say Gay" bill. At the same time, some firm leaders, such as those of Coinbase, Basecamp, and Whole Foods, either independently or when prodded by media, have made public statements indicating that they will not take a stance (in either ideological direction) on political issues, instead focusing on their business activities. The Coinbase CEO wrote to his employees,<sup>1</sup> "We don't advocate for

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<sup>1</sup>Source: [The Coinbase Blog](#)

any particular causes or candidates... that are unrelated to our mission, because it is a distraction from our mission... We won't... take on activism outside of our core mission at work."<sup>2</sup> Extant work examining the effects of CEO activism more broadly has not considered the strategic implications of actively communicating that the company will not take a stance on a given political issue, which is distinct from passively staying silent.

To better understand the strategic implications of CEO activism, we need to go beyond examining whether responses to specific instances of such activism have been positive or negative (Bhagwat et al., 2020; Burbano, 2021a; Chatterji and Toffel, 2019; Pasirayi et al., 2022) and towards developing theory about the conditions under which we would expect responses to be positive or negative (Hou and Poliquin, 2022). Central to this endeavor is an understanding of how individuals respond to such communications; indeed, it is well-established that to understand the strategic implications of firm communications about social issues more broadly, uncovering individuals' responses to such communications is critical (Burbano, 2016; 2021a; Burbano and Chiles, 2021; Shea and Hawn, 2019). Furthermore, we need to consider the implications of staying silent versus communicating an apolitical stance - two choices that have not been differentiated in existing literature.

We employ mixed methods towards this aim. First, we develop a parsimonious yet fairly general theoretical framework to analyze the effects of a firm's communication of a stance on a political issue on perceptions of the firm. In this model, we distinguish between a firm's choice to communicate an apolitical stance versus stay silent on an issue, in addition to the choice to communicate a stance in one ideological direction or the other. The formal model helps us to elucidate key mechanisms underlying how communicating a stance on a political issue will affect perceptions of the firm.

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<sup>2</sup>As additional examples, the CEO of Whole Foods has commented that "I don't think businesses should take a political stand." Source: [Nationwordnews.com](https://www.nationwordnews.com). The CEO of Whole Foods has also commented, "I like to keep my political beliefs, beliefs about controversial issues, to myself. I don't really want to talk about racism. I don't want to talk about climate change. I don't want to talk about riots or fires." Source: [New Yorker](https://www.nytimes.com).

Critically, we not only develop a model whose predictions are empirically testable but also test these predictions. We manipulate each of the model's main variables in a series of pre-registered, survey-based vignette experiments on Prolific and examine the effects on individuals' perceptions of a (hypothetical) firm. In the experiments, we manipulate the model's key parameters: the firm's communication strategy (silent, apolitical, political in either direction of the issue), the firm's expected positioning (centrist, left-leaning, right-leaning), and the distribution of participants' opinions on the issue (symmetric vs. asymmetric). We also manipulate whether the communication is backed by monetary donations, which influences the relative importance of modeled inputs into perceptions of the firm. The experiments took place during two time periods in which company CEOs were actively communicating stances on political issues: November 2020 (Study 1 – right before the US presidential election) and January 2021 (Study 2 – soon after the storming of the US Capitol building). These experiments enabled us to test the model's main predictions in a causal manner, thus bringing to bear empirical support for our predictions and helping us to establish our model's external (behavioral) validity.

Our model and experiments shed light on three important strategic contingencies regarding when it can make sense to talk politics in business. First, we highlight a condition which helps to reconcile existing mixed evidence with respect to average responses to CEO activism ([Bhagwat et al. \(2020\)](#); [Burbano \(2021a\)](#); [Chatterji and Toffel \(2019\)](#); [Dodd and Supa \(2014\)](#); [Hou and Poliquin \(2022\)](#); [Pasirayi et al. \(2022\)](#)): the distribution of opinion about the issue of focus. When a firm's set of target stakeholders are equally divided on the issue, partisan political communication, on average, hurts perceptions of a firm. This is because partisan communication pleases one camp while displeasing another; and the latter negative effect is stronger. By contrast, when a large enough majority of stakeholders stand on one side of the issue, average perception is maximized by communicating the stance of the majority. This contingency, which implies negative average effects when stakeholders are split in opinion on an issue and

positive average effects when a large enough majority share an opinion on the issue, reconciles existing mixed findings in the literature (which have varied in the issue of focus and thus, distribution of opinions on the issue; see our Discussion in Sec 7).

Second, we identify conditions under which an apolitical stance is better-received than silence: it depends on the expected positioning of the firm. If firms are expected to lean to the left (right) on an issue, right-leaning (left-leaning) stakeholders prefer explicitly apolitical stances to silence, and the opposite for left-leaning (right-leaning) stakeholders. Which effect dominates therefore depends on the firm's expected positioning, combined with the political leaning of the firm's stakeholders.

Third, we shed light on circumstances under which it can be beneficial to communicate a partisan stance that is incongruent or inconsistent with the stance that was expected of the firm. Contrary to an initial prediction, our experiments illustrated that perceptions of the firm can be positively influenced when firms communicate a political stance that is incongruent with expectations. An extension of our model illustrates that this can be an optimal strategy for dominant firms (which enjoy high stakeholder perceptions of the firm's non-political attributes), as it can enable the firm to align politically with the camp that would otherwise value it less, without giving up (too much of) its existing stakeholder base (due to the firm's established dominance). Goya's endorsement of Donald Trump in 2020 and consumer responses to this endorsement was an example of this.<sup>3</sup> Given extant work which has highlighted the general benefits (penalties) of (in)congruence in firm claims and characteristics, it is notable that in the domain of CEO political activism, communicating a stance that is incongruent with expectations can increase positive perceptions of firms under certain conditions.

This paper is, to our knowledge, the first to both formally predict and empirically examine how individuals are likely to respond to CEO political activism, an emerging and unexplored phenomenon. Importantly, we not only generate predictions about the

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<sup>3</sup>Given Goya's dominant position amongst Hispanic consumers who tend to lean Democrat, its endorsement, which was incongruent with expectations (and was on average liked by Republicans, and disliked by Democrats), succeeded in increasing demand amongst right-leaning consumers more so than it eroded demand amongst its left-leaning consumers (Liaukonytė et al., 2022).

contingencies under which firms are more likely to benefit from communication about political issues and shed light on the mechanisms driving this in our formal model, we also empirically test these predictions. Our paper thus provides theoretical and empirical evidence of the conditions under which communication on political issues can improve perceptions of the firm, offering a nuanced picture that rationalizes a variety of real-world firm strategies and helps to reconcile some of the contradicting existing literature. It therefore contributes to the nascent literature on the strategic implications of CEO activism (Burbano, 2021a; Chatterji and Toffel, 2019; Dodd and Supa, 2014; Melloni et al., 2023), by theorizing and providing empirical evidence of conditions under which firms can benefit from “talking politics in business.”

## **2 Corporate Political Activism & Strategic Implications**

Corporate social-political activism refers to communication by a firm about social-political issues unrelated to its core business (Chatterji and Toffel, 2019). It is often referred to as CEO (social-political) activism, given that the communication tends to be imparted by the CEO of the firm. Indeed, there has been a recent proliferation of statements made by companies both for and against a host of social-political issues including LGBTQ equality, climate change, gun control, racial equality, healthcare, and immigration (Burbano, 2021a). The set of issues which have been the focus of the literature to date have been polarizing social and environmental issues. While a stance on LGBTQ rights, climate change, or emergency contraception is likely to be interpreted by stakeholders as indicative of a CEO or company’s partisan or political leanings, such stances are not directly political in nature. Yet over the past few years, CEO’s have expanded the set of issues on which they publicly opine to include overtly political issues unrelated to their core business. Within the already contemporary phenomenon of social-political activism more broadly, communication about overtly political issues is thus a particularly recent manifestation of this phenomenon.

Given the recentness of the phenomenon, scholars have only begun to examine the

drivers and implications of corporate social-political activism. With respect to the drivers, [Hambrick and Wowak \(2021\)](#) highlight the importance of a CEO's personal values and expectations about stakeholder responses to the communication as key determinants of CEO social-political activism, although [Branicki et al. \(2021\)](#) emphasize that CEO activism cannot be interpreted exclusively in relation to individual moral action.<sup>4</sup> [Hurst \(2020 WP\)](#) demonstrates that pro-diversity claims increased after the Unite the Right rally in Charlottesville, Virginia, suggesting that claims may be made to compensate for the actions of others within a shared category. [Mohliver et al. \(2022\)](#) highlight the role that a rival firm's positioning on a social issue plays in influencing a focal firm's positioning.

With respect to the implications of corporate social-political activism, empirical work has found mixed results. On the one hand, there is evidence that communication of stances on issues including climate change and religious freedom ([Chatterji and Toffel, 2019](#)), as well as gay marriage, health care reform, and emergency contraception ([Dodd and Supa, 2014](#)) can positively affect consumers' intent to purchase. On the other hand, [Burbano \(2021a\)](#) demonstrates a demotivating effect of communicating a stance on the issue of gender-neutral bathrooms when employees disagree with the stance, but no motivating effect when employees agree, suggesting a downside to communicating such stances. Likewise, [Hou and Poliquin \(2022\)](#) illustrate a complementary asymmetric effect on consumers, resulting in a negative average effect on customer sales from taking a stance on gun control. Amongst investors, [Bhagwat et al. \(2020\)](#) find an average adverse reaction from investors and, similarly, [Pasirayi et al. \(2022\)](#) show a decrease in firm value, while [Mohliver and Hawn \(2019 WP\)](#) find positive reactions.

Given these mixed findings, there is a need to identify the conditions under which responses to CEO activism are more likely to be positive vs. negative. Consideration of how individuals' perceptions about the firm are influenced by the firm's communications about political issues - i.e., whether individuals' perceptions about the firm are

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<sup>4</sup>There has also been some interest in examining the role that CEO political ideology plays in influencing firm strategies ([Gupta et al., 2017; 2019](#)) including investment in CSR ([Chin et al., 2013](#)).

positively or negatively affected - thus serves as a useful stepping stone towards our understanding of the strategic implications of taking such stances.

Our paper joins a small set of papers applying formal modeling to examine CEO activism. [Mohliver et al. \(2022\)](#) model how firms are likely to respond to other firms' polarizing CSR activities, while [Melloni et al. \(2023\)](#) propose a cheap talk model to determine when CEO activism is credible, and thus profitable.

**The Values and Expectations Distance Mechanisms.** Our model describes two mechanisms through which communicating a political stance influences individuals' perceptions of the firm: what we refer to as the "values distance" mechanism and the "expectations distance" mechanism. These mechanisms build on, and are consistent with, existing behavioral theory.

The values distance effect is consistent with work which has shown that stakeholders have a preference for perceptions of values congruence - compatibility between values ([Chatman, 1989](#)) - between themselves and a firm more broadly. Amongst employees, for example, perceptions of value congruence with an employing firm have been shown to be critical to perceptions of person-organization fit ([Dineen and Noe, 2009](#); [Kristof-Brown et al., 2005](#); [Kutcher et al., 2013](#)), which in turn influence important attitudinal and behavioral outcomes ([Amos and Weathington, 2008](#); [Cable and Judge, 1996](#); [Kristof-Brown et al., 2005](#)). Social and environmental values congruence has been shown to influence stakeholder attitudes and behavior including that of investors (e.g., [Bolton et al. \(2020\)](#)), employees (e.g., [Burbano \(2021b\)](#)), and consumers (e.g., [Casadesus-Masanell et al. \(2009\)](#)), for example. Likewise, social-political and political values congruence with managers and firms more specifically has been shown to influence employee behavior and outcomes ([Bermiss and McDonald, 2018](#); [Burbano, 2021a](#); [Carnahan and Greenwood, 2018](#)), and to matter to investors ([Mohliver and Hawn, 2019 WP](#)), and consumers ([Panagopoulos et al., 2020](#)).

The expectations distance effect is consistent with extant work which has shown that congruence or consistency in claims and firm attributes is generally viewed positively,



while incongruence or inconsistency in claims and attributes is generally viewed negatively (Baum et al., 2016), due to the fact that greater congruence in claims and characteristics is associated with greater credibility and legitimacy (Durcikova and Gray, 2009). Gender (in)congruence between social claims and gender of leadership has been shown to result in more (negative) positive assessments by stakeholders, for example (Abraham and Burbano (2022); Bode et al. (2017); Lee and Huang (2018)). Indeed, given mounting pressure on firms to respond to and take sides on social and political issues (Durand et al., 2019; Hambrick and Wowak, 2021), stakeholders may worry that firms have the incentive to make claims which are untrue signals of a company's values (Cuypers et al., 2016; Delmas and Burbano, 2011; Farrell and Gibbons, 1989) or which are decoupled from actuality (Crilly et al., 2012; 2016). Thus, stakeholders are likely to consider consistency with the firm's expected political stance in assessing the sincerity of the firm's current stance.

We model both the values and expectations distance effects as convex loss functions, in line with nascent empirical behavioral research on the topic. Indeed, stakeholders appear to pay more (negative) attention to firms whose stances they dislike, than (positive) attention to firms whose causes they like (Burbano, 2021a; Hou and Poliquin, 2022; Jungblut and Johnen, 2021). Likewise, individuals have been shown to pay greater attention, and react more strongly, to information that is unexpected as opposed to expected (Brockner et al., 1990; Skowronski and Carlston, 1989; Wong and Weiner, 1981). Furthermore, such convexity is fairly standard from a modeling perspective.

### **3 A Model of Firms' Political Communication**

We start by proposing a stylized model of firms' political communication. We focus on the case of one issue, where positioning on the issue ranges between 0 (strongly against) and 1 (strongly in favor). We denote the firm's expected positioning by  $\mu \in [0, 1]$ .  $\mu$  is determined by the set of firm characteristics which influence a stakeholder's expectations about the likely positioning of firm.

There is a continuum set of individuals whose opinion the firm cares about,  $\mathcal{J}$ . For brevity, we refer to these individuals as “stakeholders”. We denote each stakeholder’s position on the issue by  $\mu_j \in [0, 1]$ . We assume that stakeholders’ positions, which we index by  $\mu_j$ , are either 0 or 1, in proportion  $p$  and  $1 - p$  respectively.<sup>5</sup> While not a key driver for any of our results, the assumption that stakeholders are highly polarized is realistic when looking at divisive issues such as the ones on which we focus (see, e.g., [Iyengar and Westwood \(2015\)](#)), and simplifies the exposition and computations. For a political issue split along ideological lines, one can think of stakeholders in two camps of opinion: one of Democrats and one of Republicans.

The firm chooses an action,  $a \in [0, 1]$ , with respect to its communication (or lack thereof) regarding the political issue. We focus on four potential choices for  $a$ :

- **Congruent Political Positioning:**  $a_{con} = 1$  whenever  $\mu > 1/2$  and  $a_{con} = 0$  otherwise. The firm’s (extreme) political stance is aligned with its expected positioning.<sup>6</sup>
- **Incongruent Political Positioning:**  $a_{inc} = 1$  whenever  $\mu \leq 1/2$  and  $a_{inc} = 0$  otherwise. The firm’s (extreme) political stance is misaligned with its expected positioning.
- **Apolitical Positioning:**  $a_{apol} = \frac{1}{2}$  for every  $\mu$ . The firm takes an explicitly neutral position on the issue, equidistant from the two extreme camps 0 and 1.
- **Silence:**  $a_{sil} = \mu$ . The firm says nothing about the issue, and thus stakeholders assume its positioning on the current issue is the same as its expected positioning.

A firm’s communication (or lack thereof) about its stance on a political issue affects stakeholders’ perceptions about the firm in two ways. First, stakeholders (dis)like firms whose positions on the issue are (far) close from their own position on the issue. Second, firms’ communication is more (dis)liked when the stated position,  $a$ , is (mis)aligned

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<sup>5</sup>We assume that the firm is certain about its stakeholders’ positioning. E.g., The firm could conduct market research to be aware of where its stakeholders stand. Were the firm uncertain, it would face an additional incentive to keep away from highly partisan political expression to avoid costly mistakes.

<sup>6</sup>We break the tie at  $1/2$  by assuming the firm would pick 0. This is inconsequential since in this case congruence and incongruence are equivalent.

with stakeholder’s prior expectations about the firm. See Sec 2 for more discussion on the literature supporting these mechanisms.

Lastly, we assume another dimension of firm heterogeneity, which we call  $Q$ , or quality. The term “quality” here broadly captures all non-political-stance inputs to stakeholders’ perceptions about the firm, including perceptions of actual product quality, firm reputation, etc.

Combining the three elements above, we have that for a stakeholder of political ideology  $\mu_j \in \{0, 1\}$ , her perception of a firm of quality  $Q$ , expected positioning  $\mu$ , and taking action  $a$  is given by

$$V^\mu(a, \mu_j) = Q - r \cdot (a - \mu_j)^2 - (1 - r) \cdot (a - \mu)^2.$$

Stakeholders’ perception is increasing in quality and decreasing in both the stakeholders’ ideological distance from that of the firm’s stated communication (which we refer to as the “values difference”), and the distance between the firm’s chosen positioning and its expected one (“expectations difference”). The convexity of the loss functions – and thus concavity of  $V^\mu(\cdot, \mu_j)$  – is an important feature of the model.<sup>7</sup> While fairly standard, it is furthermore consistent with empirical behavioral research. See Sec 2 for detailed discussion and related supporting literature of the values and expectations differences.

The parameter  $r \in [0, 1]$  quantifies the relative importance of the values and expectations differences. We can consider the extremes to elucidate the function of this parameter. When  $r \approx 1$ , stakeholders only care about the distance between their stance and that communicated by the firm (one can think of this case as one in which sincerity in firms’ communications is always assumed). When  $r \approx 0$ , stakeholders simply reward firms that maintain positions in line with expectations, regardless of how close this

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<sup>7</sup>The fact that both the values and the expectation differences are modelled as quadratic loss functions allows for convenient closed form solutions to the optimal political communication problem faced by the firm. However, our general conclusions generalize much more broadly, as long as both losses are convex. Combined, these two convexity assumptions result in a situation in which communicating a political stance (that is different from  $\mu$ ) comes with non-trivial costs – and non-obvious benefits – for the firm. In light of this fact, we believe that our model offers a fairly conservative picture of the circumstances under which firms can benefit from communicating stances on politically divisive issues.

stance on the issue is from their own. In most cases we would expect both differences to matter, with the values difference holding more weight (that is,  $r \geq 1/2$ ).

Define by  $V^\mu(a)$  the average perception of a firm of prior position  $\mu$ , taking action  $a$ . Aggregating across all stakeholders, under the assumption that they are split between a  $\mu_j = 0$  camp (in proportion  $p$ ) and a  $\mu_j = 1$  camp (in proportion  $1 - p$ ), we have that  $V^\mu(a) = pV^\mu(a, 0) + (1 - p)V^\mu(a, 1)$  and thus

$$V^\mu(a) = Q - (1 - r) \cdot (a - \mu)^2 - p \cdot r \cdot a^2 - (1 - p) \cdot r \cdot (1 - a)^2.$$

We also define the polarization in stakeholders' perceptions about the firm,  $P^\mu(a)$ , as the absolute value of the difference between  $V^\mu(a, 0)$  and  $V^\mu(a, 1)$ :

$$P^\mu(a) = |V^\mu(a, 0) - V^\mu(a, 1)| = r|2a - 1|<sup>8</sup>$$

where the equality between the second and third lines comes from straightforward algebraic manipulation.

It is immediate to see that, intuitively, polarization in opinion about the firm is minimized at  $a = 1/2$ , and maximized for extreme positioning by the firm ( $a = 1$  or  $a = 0$ ). Moreover, polarization does not depend on  $Q$  or  $\mu$ , since both  $Q$  and  $\mu$  enter the “expectations difference” term equally for the two camps of stakeholders, and thus cancel out.

We will mostly focus on characterizing properties of  $V^\mu(a)$  as a function of both  $a$  and  $\mu$  for the remainder of Sec 3. Then, we will get back to the costs and benefits of polarizing stakeholders' opinions about the firm (that is, increasing  $P^\mu(a)$ ) later in this Section. We also expound on this in an extension of the baseline model, in Appendix B), in which we discuss whether and when it can be optimal for firms to express ideological positions, including ones incongruent with expectations, to influence the distribution – not just the average – of stakeholder opinions on an issue.

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<sup>8</sup>See Appendix A for all derivations and proofs.

### 3.1 Political Causes with Symmetric Stakeholder Opinions

We now turn to one of our model's most important predictions. We derive this result in the context of  $p = 1/2$  or, in other words, equally sized opinion camps on the issue. Such issues are of particular interest in that they are “zero-sum” in nature, as pleasing a group of stakeholders by taking a position close to theirs is equivalent to displeasing an equally large group, thus making any costs or benefits of communication non-trivial. Our first hypothesis highlights how, in this symmetric case, partisan communication ( $a = 1$  or  $a = 0$ ) harms firms' average stakeholder perceptions:

**Hypothesis 1.** *Let  $r \geq 1/2$ . Then, when stakeholder opinion about the issue is symmetrically distributed ( $p = 1/2$ ),*

- **1.A:** *The average perception of a firm when communicating a political stance is always lower than in the case of either silence or communicating an apolitical stance.*
- **1.B:** *The average perception of a firm when communicating a congruent political stance is always higher than when communicating an incongruent political stance. This difference is proportional to the weight associated with the “expectations difference”,  $1 - r$ .*

Formally, we have:

$$\max(V^\mu(0), V^\mu(1)) < \min(V^\mu(1/2), V^\mu(\mu)); \quad V^\mu(0) \geq V^\mu(1), \quad \frac{\partial(V^\mu(0) - V^\mu(1))}{\partial r} \leq 0 \Leftrightarrow \mu \leq \frac{1}{2}.$$

The results come from the costs we impose on communication. When the two camps of stakeholders with opposing positions are equal in size, the benefits of taking a position that is closer to that of one camp is lower than the corresponding costs of taking a position that is farther from that of the opposite camp. Moreover, incongruent positions incur higher “expectations difference” costs while not alleviating the “values difference” costs of congruent positions, and thus are expected to perform worse overall than congruent positions when stakeholder opinions about an issue are symmetric.<sup>9</sup>

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<sup>9</sup>The reason why we require  $r \geq 1/2$  is that, whenever the “expectations difference” becomes more important than the “values difference”, stakeholders primarily value a firm's stance credibility. Thus, firms whose  $\mu$  is close to 1 (0) are better off taking the extreme stance  $a = 1$  ( $a = 0$ ) than the explicitly apolitical one ( $a = 1/2$ ), since the latter is considered much less credible. In this case,  $V^\mu(\mu) > V^\mu(1) > V^\mu(1/2)$ . Furthermore, we show in the proof of H1 that the condition  $r \geq 1/2$  is not necessary whenever  $\mu \leq 3/4$ . That is, if firms' expected positioning is not too partisan, then both congruent and incongruent stances are strictly dominated by either silence or apolitical stances, irrespective of  $r \in [0, 1]$ .

### 3.2 Political Causes with Asymmetric Stakeholder Opinions

So far, we have assumed that the distribution of stakeholder opinion on the issue was symmetric,  $p = 1/2$ . We now relax this assumption. The picture looks quite different when considering issues which have asymmetric stakeholder opinions. If this is the case, then endorsing a popular cause can be beneficial for average stakeholder perception despite the costs incurred, as highlighted in our next result:

**Corollary 1.** *Partisan messages (that is,  $a \in \{0, 1\}$ ) can dominate both silence and apolitical stances if the issue is one for which there is asymmetric stakeholder opinion, whenever  $r$  is large enough.*

*Formally, there exist a  $r^* > 0$ ,  $p^* = p^*(r^*) > 1/2$  such that*

$$V^\mu(0) > \max(V^\mu(\mu), V^\mu(1/2), V^\mu(1)) \quad \forall r > r^*, p > p^*(r^*), \mu \in [0, 1].$$

This “boundary condition” result guarantees that, however strong the average costs of political communication, they are dwarfed if there is sufficient asymmetry in stakeholders’ positions, provided stakeholders do not solely care about the perceived sincerity of the firm’s action (that is,  $1 - r$  is not too large). For instance, this result guarantees that, if all of a firm’s stakeholders support the cause, the firm is best off doing the same, regardless of its expected position. In particular, this holds even when the firm’s expected position is very far from the position held by the stakeholders, such that a stance which is incongruent with the firm’s expected positioning and thus comes at a considerable “expectations difference” cost can nonetheless be optimal. This is a first instance of firms benefiting from incongruent communication. In Appendix B, we present an orthogonal, and more subtle, explanation for how dominant firms can benefit from taking a stance that is incongruent with expectations.

To give some sense of how strong this asymmetry must be for a firm’s communication of partisan stances (whether congruent or incongruent) to improve, rather than worsen, opinions of the firm, please see Appendix C for an illustrative example.

### 3.3 Political Causes with Either Symmetric or Asymmetric Opinions

The following hold irrespective of the distribution of stakeholder opinion.

### 3.3.1 Silence vs. An Apolitical Stance

We consider the effect of communication on perceptions amongst the two camps of stakeholders as a function of the expected positioning of the firm.

**Hypothesis 2.** *Let  $r \geq 1/2$ . If a firm is expected to support (oppose) a cause, stakeholders who oppose (support) the cause prefer an explicitly apolitical stance to silence, while stakeholders who support (oppose) the cause prefer silence to an apolitical stance. Formally, we have*

$$V^\mu(1/2, 0) - V^\mu(\mu, 0) \geq 0 \geq V^\mu(1/2, 1) - V^\mu(\mu, 1) \Leftrightarrow \mu \geq 1/2.$$

H2 formalizes a natural intuition: stakeholders hold a prior expectation about the firm's position, which is updated if the firm communicates an apolitical stance, but remains unchanged if the firm says nothing. So, for instance, a tech firm in California (expected to lean left) which declares itself apolitical during the 2020 Presidential Election would elicit a negative response from Democrats (who preferred the expected stance to the updated stance) and a positive response from Republicans (who preferred the updated stance to the expected stance).

Moreover, if the internal coherence between expectations and communications matters enough to stakeholders (that is, if  $1 - r$  is high), the negative surprise among those who disagree will be stronger than the positive one from those who agree. This will lower the average perception of the firm whenever  $p$  is close to  $1/2$ :

**Corollary 2.** *When  $p = 1/2$ , silence dominates an apolitical stance whenever the “expectation difference” matters more than the “values difference”, or  $r \leq 1/2$ . When  $p \neq 1/2$ , silence dominates apolitical stances whenever  $r$  and  $|p - \mu|$  are small.*

Corollary 2 offers two interesting insights. First, the comparison between silence and an apolitical stance generally depends on  $r$ ,  $p$  and  $\mu$ . For instance, when a firm's expected positioning is in line with the majority of stakeholders (e.g.,  $\mu > 1/2$  and  $p > 1/2$ ), then silence is more likely to dominate an apolitical stance. The opposite is true when (exactly) one of  $\mu$  and  $p$  is below  $1/2$ : as the firm's expected positioning is at odds with the preferences of the majority of stakeholders, the firm is better off shifting to an explicitly apolitical stance.

Second, for issues with symmetric stakeholder opinion ( $p = 1/2$ ), the relative appeal of silence and apolitical stances solely depends on the relative weight of the expectation and values differences,  $r$ , and not on the firm's expected positioning,  $\mu$ . This results from the combination of two countervailing forces. When (without loss of generality)  $\mu$  moves towards  $1/2$ , the average perception associated with silence increases, since the sum of the "values difference" costs incurred with the two camps of stakeholders decreases (due to convexity). At the same time, the average perception of explicitly apolitical positions also increases, since they now incur a lower "expectations difference" cost. When  $p = 1/2$ , these two effects are equal in magnitude.

### 3.3.2 Influencing the Relative Weights of the Values and Expectations Differences

Can the firm influence the relative importance of the values and expectations differences? One way the firm might do this is by "putting its money where its mouth is" and donating to the political causes it claims to support. Communication backed by a monetary donation is likely to incur higher "values difference" costs with stakeholders who disapprove of the position endorsed (and funded) by the firm, an effect likely to get stronger with the magnitude of the donation. At the same time, "expectations difference" costs would be alleviated, since the firm is more credible in its stance. Thus, we can study the effects of backing stances with donations as comparative statics in  $r$ . We have the following:

**Hypothesis 3.** *Backing a political stance with monetary donations increases average perception compared to communicating a political stance without monetary donations whenever the firm is not expected to communicate that stance, or the fraction of stakeholders who oppose the stance,  $p$ , is sufficiently low. Formally,*

$$\frac{\partial V^{\mu}(1)}{\partial r} > 0 \Leftrightarrow (1 - \mu)^2 > p.$$

The intuition for this result is simple: by increasing the weight associated with the "values difference", and decreasing the one associated with the "expectations difference", donations disproportionately help firms for which the latter is large. That is, donations are effective in increasing average perception if (and only if) the firm's



stance seemed very incoherent with expectations absent a donation. Conversely, when the firm's position was consistent with expectations to begin with, donations increase the (negative) attention from the opposing camp of stakeholders, worsening perception. Naturally, this effect is larger the larger the size of this camp.

### 3.3.3 Political Communication and Polarization of Opinions about the Firm

So far, we have highlighted that average stakeholder perceptions of a firm are improved by partisan communication only if such communication aligns with the position of a vast majority of the companies' stakeholders. Does this mean that, whenever causes are divisive enough (that is, stakeholders are close to a 50% – 50% split in distribution of opinion), firms are always better off shying away from communicating a political stance? We argue that this is not necessarily the case, and highlight conditions - beyond average stakeholder perceptions falling clearly on one side of the issue - that can justify political positioning by firms. We start with the following:

**Hypothesis 4.** *Communicating a political stance on an issue polarizes (increases the variance of) stakeholders valuations of the firm, thus – in particular – increasing the right tail of stakeholder perceptions.*

*Formally,*

$$P^\mu(1), P^\mu(0) \geq P^\mu(a) \quad \forall a \in (0, 1).$$

That is, while political expression ( $a \in \{0, 1\}$ ) minimizes average stakeholder perception of the firm (at least in the symmetric case,  $p = 1/2$ ) compared to not communicating a stance on an issue, it also simultaneously maximizes the share of stakeholders who hold extreme – and, in particular, very high – opinions of the firm. Consideration of more extreme, rather than average, stakeholder opinions of a firm is important because, especially in highly competitive markets, the share of stakeholders holding very high opinions of the firm is likely a much more telling indicator of stakeholders behaving in a firm-benefiting manner. In other words, it might be optimal to both sacrifice average perception and increase the left tail of perception (thus losing at least some stakeholders) to maximize the right tail of perception (that is, to foster product demand from consumers, interest in working at a firm from employees, investment in

a firm from investors, etc). We discuss this strategic choice faced by firms (whether to focus on moving up average perception versus maximizing the right - and left - tails of perception) in more detail in our Discussion.

In Appendix E, we discuss an extension of our model in which firms are horizontally differentiated on top of being, potentially, politically differentiated (that is, we relax the assumption of a fixed  $Q$  across stakeholders, and study what happens when  $Q_j$  differs across camps of stakeholders) to highlight additional circumstances under which firms can benefit from communication that is incongruent with expectations. This extension highlights a mechanism through which dominant (but not non-dominant) firms can benefit from communicating stances incongruent with expectations.

## **4 Testing our Model with a Survey-Based Experiment**

The use of a formal model enabled us to shed light on the mechanisms through which corporate political stance-taking is likely to influence perceptions of the firm. Importantly, our model developed a set of simple, empirically testable predictions. A benefit of a model which utilizes variables that can be measured and generates predictions that can be empirically tested is that, when empirical data support these predictions, this helps establish the real-world validity and applicability of both the model's assumptions and hypotheses.

Why is a survey-based vignette experiment needed here? The main reason is that testing our model's predictions, or studying the effects of political stance-taking more broadly, in the field is challenging. First, the political issues on which firms choose to communicate a stance are not selected at random. Conditional on choosing to speaking up, the stance taken by firms are not assigned at random. Furthermore, expectations about a firm's likely stance are also not assigned at random. This raises multiple endogeneity concerns in seeking to empirically test the effects of stance-taking and how these effects vary with expectations in observational data. Given that communicating stances on political issues is a relatively new phenomenon, researchers do not have

access to tens of years' worth of data which can be used to exploit within-firm variation over time or exogenous shocks that could be leveraged to implement an econometric empirical design that controls for this endogeneity problem.

To overcome the endogeneity challenge, we test our model's main predictions using two pre-registered experiments.<sup>10</sup> Our experimental approach allows us to use a controlled environment in which to randomly assign (hypothetical) firms' political stance-taking on an issue, as well as to randomly assign (a proxy for) expectations about firms' political stance-taking on an issue. We then examine how this influences individuals' self-reported perceptions about the hypothetical firm. See Figure 1 for a summary of how our manipulations in the experiments reflect each of the key parameters in our theoretical model:  $p$ ,  $a$ ,  $\mu$ , and  $r$ .

## 5 Experimental Design

Participants were recruited on Prolific in Nov. 2020 before the US election (Study 1) and in Jan. 2021 after the storming of the US capitol building (Study 2).<sup>11</sup> After indicating informed consent to complete a study to "gauge opinions about companies," participants were informed that they would be provided with a company description and be asked to respond to some questions about the (hypothetical) company.

Only U.S.-based participants were eligible to complete the survey, and we targeted an equal proportion of Democrats and Republicans, as well as Independents for completeness (based on Prolific's political affiliation information on participants) for each study. This equally split distribution of political ideology across participants enabled us to construct a sample with evenly divided (symmetric) opinions on the political issue of focus in Study 1, and non-evenly divided (asymmetric) opinions on the political issue of focus in Study 2.<sup>12</sup> Indeed, leading up to the presidential election (Study 1),

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<sup>10</sup>The experiment was pre-registered on Open Science Framework. Pre-registrations are available from the authors upon request, and will be made publicly available after article acceptance, or after the 4-year OSF embargo period has passed, whichever comes first. IRB approval was also obtained.

<sup>11</sup>They were recruited to answer a 20-minute survey, implemented on an external survey site.

<sup>12</sup>This breakdown is representative of the US population. A 2018/2019 [Pew Research Center](#) analysis showed that 29% of the US population identifies as Republican, 33% Democrat, and 34% Independent.

Democrats supported Biden and Republicans supported Trump, whereas after the storming of the US Capitol building (Study 2), practically all Democrats and a vast majority of Independents denounced the action, while Republicans were evenly split on whether to support or denounce the action.<sup>13</sup>

## 5.1 Study 1: Symmetrically Divided Opinions

In Study 1, participants were randomly assigned to one of 12 company descriptions in a 3x4 design. Our first manipulation varied the description of the type of company making the statement in order to manipulate expected political leaning of the firm, or the  $\mu$  in our model (without using a heavy-handed statement about expected political leaning in the vignette which could lead to social desirability bias in the results). That is, we randomly assigned whether the company was described as a Tech company headquartered in California (which would be more likely to be expected to take a Democrat-leaning stance and thus be perceived as congruent with a pro-Biden, and incongruent with a pro-Trump, stance), an Oil & Gas company headquartered in Alaska (more likely to be expected to take a Republican-leaning stance and thus be perceived as congruent with a pro-Trump and incongruent with a pro-Biden stance), or a Food & Beverage company headquartered in Pennsylvania (neither congruent nor incongruent with either ideological stance). We used this combination of industries and states based on data about actual average partisan leanings, as well as our own testing of how these descriptions influenced individuals' expectations about a firm's political positioning (please see Appendix D for details on this supplementary experiment).

Participants were asked to indicate their opinion about the company after this description to gauge baseline reactions to the company type and location. They then were given information about communication from the CEO of the company which varied by political stance condition. The pro-Biden stance conditions included the phrase "anything less than a vote for Biden is a vote against democracy"; the pro-Trump

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<sup>13</sup>A YouGov poll found that 21% supported and 71% opposed. For Democrats (Independents), 2% (21%) supported and 96% (67%) opposed, while Republicans were split at 45% and 43%.

stance conditions, “anything less than a vote for Trump is a vote against America”; the apolitical stance conditions indicated that the company would not take a political position on the issue but rather would focus on its business; and the control condition made no mention of a political stance. The pro-Biden, pro-Trump, and apolitical stance wording was constructed using real-world stance communications as a guide. Participants were then again asked to indicate their opinions about the company.

Figure A1 shows the exact wording, by condition. Each participant read four company descriptions, one per stance condition (pro-Biden, pro-Trump, apolitical, control); the order that these were presented was randomly assigned. At the end of the survey, participants were asked a series of opinion and demographic questions.

## **5.2 Study 2: Asymmetrically Divided Opinions**

The design of Study 2 mirrored that of Study 1 for a different issue: a stance regarding the members of Congress who voted against certifying the results of the 2020 presidential election. This is an issue about which opinions in the US were asymmetrically divided at the time the experiment was conducted.

Participants were first asked to indicate their opinion about a company after a brief description of the hypothetical company (randomly assigned to be a Tech company headquartered in California, an Oil & Gas company headquartered in Alaska, or a Food & Beverage company headquartered in Pennsylvania). They then were given information about communication from the CEO of the company, which varied by political stance condition. Similarly to Study 1, there were four main stance manipulations - one against (“Denounce”), one for (“Not Denounce”), one apolitical, and one which made no mention of a political stance (the silence control). As in Study 1, each participant read four company descriptions, one per political stance condition (Denounce, Not Denounce, Apolitical, Control). The order in which these descriptions were presented was randomly assigned. After each description, participants were asked to indicate their opinions about the company. At the end of the survey, participants were asked a series of opinion and demographic questions.

In a departure from the Study 1 design, here we also divided each of the for and against stances into two sub-variations of the communication: one which was stated to be backed by donations and one which made no mention of donations. As explained in Sec 3, communication of donations can be interpreted as increasing the relative importance of the “values” compared to the “expectations” difference; an increase in  $r$ . Thus, within the Denounce and Not Denounce conditions, participants were randomly assigned to either the “statement” or the “donations” version of the condition. The “Denounce Statement” sub-condition indicated that the CEO “publicly denounced members of Congress who voted against certifying the results of the 2020 presidential election”, while the “Denounce Donations” sub-condition indicated that the CEO “publicly announced that [the company] suspended its political donations through its PAC to members of Congress who voted against certifying the results of the 2020 presidential election.” Likewise, the “Not Denounce Statement” sub-condition indicated that the CEO did not “publicly denounce members of Congress who voted against certifying the results of the 2020 presidential election”, while the “Not Denounce Donations” sub-condition indicated that the CEO “publicly announced that [the company] will keep giving its political donations through its PAC, including to members of Congress who voted against certifying the results of the 2020 presidential election.” In the Apolitical Stance condition, the CEO “announced that it would not take a political position following last week’s events in the U.S. capital”; and the Control condition made no mention of a political stance. Appendix Fig. A2 shows the exact wording, by condition.

### 5.3 Samples and Measures

1200 (1800) US-based individuals were recruited on Prolific for Study 1 (2). No participants exited the survey after the random assignment of conditions in either study, such that there was no selection bias due to attrition. Observations were dropped due to repeat platform ID numbers, suggesting that an individual may have participated in the experiment more than once, and due to failing attention check questions. The

resulting sample size was 1153 individuals for Study 1 and 1754 for Study 2.

Table 1 presents summary statistics, by condition. In Study 1 (Study 2), about 40 (40) percent were Democrat, 32 (32) percent were Republican, and 29 (28) percent were Independent. Though our sample was recruited to be an equal 1/3-1/3-1/3 split based on the ideology recorded by Prolific, the final sample somewhat deviates from this due to the use of respondents' self-reported political affiliation as opposed to that recorded by Prolific (since it is possible that individuals' political affiliation may have shifted since Prolific gathered that information). Our results are robust to re-weighting our sample to reflect a 1/3 - 1/3 - 1/3 split in participant ideology. Incidentally, the breakdown of political ideology in our sample is very similar to that of the actual Democrat/Republican party affiliation ratio in the U.S.<sup>14</sup> Forty-four (43) percent of participants were female in Study 1 (2), the mean age was 33 (35), and about 48 (51) percent had a college degree. We performed t-tests of means comparisons for the characteristics listed in Table 1 across conditions for each of the experiments and report in bold those that are significantly different (at 5%) from a control.

**Dependent Variables.** Our main dependent variable, *Pos Opinion*, is constructed from the question "I have a positive opinion of this company," measured on a 7-pt. agreement Likert scale, where 1 indicates "Strongly Disagree," 4 "Neither Agree not Disagree," and 7 "Strongly Agree." *Pos Opinion* indicates the difference between the response to this question after having read the CEO communication (i.e., political stance manipulation) and the baseline response to this question after reading the company's description and before reading the CEO communication. A positive (negative) value for this variable reflects that subjects have a more positive (negative) opinion about the company after reading the CEO communication compared to before reading it.

We collected other dependent variables (all pre-registered), which we report in Appendix F. In addition to their general opinions about companies, we also asked participants questions about their perceptions of the company from the perspective

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<sup>14</sup>The breakdown in the US is 49 percent Democrat or Democrat-leaning, and 40 percent Republican or Republican-leaning. Source: [Gallup](#)

of different stakeholders (consumers, workers, investors...)<sup>15</sup> As these dependent variables are all highly correlated (see Table A20), and results are consistent, we focus on *Pos Opinion* as our main variable.

**Independent Variables.** To examine responses to our political stance manipulations, we constructed binary variables equal to 1 if subjects were assigned to the named condition and equal to 0 otherwise. In Study 1, the four political stance condition indicator variables are *Biden*, *Trump*, *Apolitical*, and *Control*. In Study 2, they are *Denounce*, *Not Denounce*, *Apolitical*, and *Control*. In Study 2, we combine the two versions of the Denounce and Not Denounce communications (the statement and donation versions of each) in most specifications, to facilitate comparison of results across the two studies. For Study 2, we also create a *Donations* variable, which takes value 1 when the company's statement indicated that they were supporting their statement with financial backing (the *Denounce Donations* or *Not Denounce Donations* condition) and 0 when the company's political statement did not include mention of financial backing (the *Denounce Statement* and *Not Denounce Statement* conditions). We specify the comparison groups in each analysis.

To examine how congruence between the CEO's communicated stance and the expected stance (proxied by company type and headquarters location) might affect individuals' responses, we constructed three binary variables, *Congruent*, *Incongruent*, and *Neither Congruent nor Incongruent*. In Study 1, *Congruent* (*Incongruent*) is equal to 1 if either a Californian Tech company communicated a pro-Biden (pro-Trump) position or if an Alaskan Oil company communicated a pro-Trump (pro-Biden) position, and 0 otherwise. *Neither Congruent nor Incongruent* is equal to 1 if the company is a Pennsylvanian Food and Beverage Company which communicated either a pro-Biden or pro-Trump stance and 0 otherwise. In Study 2, *Congruent* (*Incongruent*) is equal to 1 if either a California Tech company denounced (would not denounce)

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<sup>15</sup>i.e., *Work* - I would be happy to work for this company; *Apply* - I would apply for a job at this company; *OtherWork* - People I know would be happy to work for this company; *Invest* - I would invest in this company; *SharesGain* - I predict that this company's shares will gain value over the next months.



members of Congress who voted against certifying the results of the 2020 presidential election, or an Alaskan Oil company would not denounce (denounced) those members of Congress. *Neither Congruent nor Incongruent* is equal to 1 if a Pennsylvania-based Food and Beverage Company communicated either a denounce or a not denounce stance. Note that if a partisan stance was not communicated (i.e., the apolitical or control group conditions), these observations are excluded for this set of analyses given the construction of these variables.

**Moderating Variables.** To examine how effects vary by individuals' opinion on the issue, we examine as moderators political ideology in Study 1 (given that we expect opinions on who should be president to match individuals' political ideology), and confidence in the election results in Study 2 (given that we expect opinion on the issue of the storming of the Capital match individuals' perceptions about whether the presidential election was held fairly or not, rather than political ideology). In Study 1, we use responses to the question "What political party do you identify with?", administered with a series of demographic questions at the end of the survey. The variable *Republican (Democrat)* takes the value 1 if a subject responded "Republican" (Democrat) and 0 otherwise. *Independent* indicates that subjects responded either "None" or "Other" to this question. In Study 2, we use responses to the question "How much confidence do you have that the 2020 presidential election was held fairly?" The variable *Confidence* is a binary indicator taking value 1 if subjects responded, "A great deal", "Quite a bit", or "A moderate amount," and 0 otherwise.<sup>16</sup>

## 6 Results

**Effects of Communicating a Stance (H1A and Corollary 1).** We begin by examining the average effects of communicating a stance about a political issue, compared to a control group which made no mention of the political issue, on individuals' perceptions of the firm in a case with symmetric (Study 1) and asymmetric (Study 2) opinions on the issue. We report both between-subject and within-subject comparisons. Between-

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<sup>16</sup>The other possible responses were "Only a little", "Not sure", or "None at all."

subject analyses (in which we include only the first company description that each subject evaluated) tend to present a noisier picture because of their smaller sample size and because our within-subject analyses include subject fixed effects. The between-subject analyses reflect OLS regressions with robust standard errors, while the within-subject analyses reflect linear regressions with individual and iteration fixed effects.

Columns 1 and 2 of Table 2 illustrate between-subject results for Study 1 for the whole sample, with and without inclusion of political affiliation in the regressions. Columns 3 and 4 report within-subject results for the same study, with and without the inclusion of political affiliation. Both *Biden* and *Trump* have negative and statistically significant coefficients across specifications, illustrating a negative average effect for companies communicating a political stance in either ideological direction. This provides support for H1A.

The interactions in Columns 2 and 4 reflect that communicating a pro-Biden stance improves perceptions among Democrats, while communicating a pro-Trump stance improves perceptions among Republicans. Furthermore, they illustrate that the negative effect from those opposing the stance is greater than the positive effect from those in favor of the stance. This validates our model's assumptions regarding the convexity of the values difference.

Table 3 reports the average effects of a company expressing a political stance about the events at the US Capitol on individuals' overall opinion about the company (Study 2). Columns 1 and 2 report the results of between-subject regressions, while columns 3 and 4 report within-subject regressions. Columns 1 and 3 show that denouncing the members of Congress who would not certify the election results had a positive average effect on perceptions, while openly not denouncing them had a negative effect. Thus, taking the political stance (i.e., denounce) which is in line with the stance held by the vast majority of the sample was the optimal strategy from an average perceptions perspective. In line with our Corollary 1, the average effects reported in Table 3 differ from those of those in Table 2 in the direction we would expect given the distribution

of opinions with respect to the political of issue of focus. The "Denounce" stance was indeed the popular one: 74% of our sample was confident that the 2020 elections were held fairly. Furthermore, opinions about this particular political issue were not split evenly along partisan lines. As such, a sample evenly split by Republicans, Democrats, and Independents at the time was not split in opinion on this issue in the same way that it was regarding the issue in Study 1. Columns 2 and 4 show that the positive effect of denouncing is driven by those who reported that they were confident that the elections were held fairly, as we would expect, while subjects who were not confident in the election results penalized companies taking a Denounce stance.

**Effects of Congruent and Incongruent Political Communication (H1B).** Interestingly, we do not find support for H1B. Instead, we observe that the average perception of communicating an incongruent political stance turns out to be very similar to that of communicating a congruent political stance. (To save space, we report these results in Appendix F.)

There are a few reasons, consistent with our model, which might explain this. First, it could be the case that stakeholders care (much) more about the "values difference" than the "expectations difference". Indeed, we would expect this to be the case intuitively, as we discussed earlier (see Sec 3). Interestingly, our results furthermore suggest that there can be a *positive* effect on stakeholder perceptions from communicating a stance that is *incongruent* with expectations. This is interesting because of the wealth of literature which has pointed to incongruence penalties in the context of organizational claims and characteristics. In Sec 7, we discuss a mechanism, derived from an extension of our model (see Appendix E) which helps to explain the benefits of communicating political stances which are incongruent with expectations.

**Apolitical Stances vs. Silence (H2 and C2).** To begin to examine the effects of taking an apolitical stance versus staying silent, we first compare the coefficients of *Apolitical* with that of the *Control* in Study 1 in Table 2. Here, we find that taking an apolitical stance has a directionally positive effect in all specifications, though not

statistically different from that of the control in Column 1. In particular, in Columns 2 and 4, we see a positive coefficient of *Apolitical* among Republicans and Independents, but a negative, and statistically significant, coefficient among Democrats. Examining the same comparisons for Study 2, Table 3 shows that the average effect of *Apolitical* is not significantly different from the *Control*. In the interactions, we observe heterogeneities that are consistent with the prediction in H2 given that in the Study 2 context, on average, firms were likely expected to be confident in the election (as opposed to not confident) given the asymmetry in opinions on the issue at the time. Consistent with H2, we see that subjects who were confident in the election results disliked an apolitical stance compared to silence on average, while subjects who were not confident preferred an apolitical stance to silence.

To further test H2, we then ran additional analyses on sub-samples of Democrats and Republicans in Study 1, which we report in the Appendix. Table A1 report our main regressions for Democrats only, and Table A2 for Republicans only (both exclude Independents). Table A1 reflects that the interaction between Alaska and *Apolitical* is positive, both in Column 2 (between-subjects analysis) and Column 4 (within-subjects), suggesting that Democrats positively update their perception about a company communicating an apolitical stance when such company was expected to lean Republican (the Alaskan Oil & Gas company). Similarly, Table A2 shows that Republicans negatively update their perceptions in response to an apolitical stance for the company expected to lean Republican. While only the Democrat-only effects are statistically significant, the Republican-only effects are still directionally consistent with our H2 (and note the smaller sample sizes for these sub-sample analyses).

For completeness, Tables A4 and A5 in Appendix F report the parallel analyses for Study 2, by focusing on subjects that are confident in the election results in Table A4 and subjects that are not confident in the election results in Table A5. Here we find null effects of taking an apolitical stance, which is unsurprising given the nature of the issue of focus in Study 2. Since opinion about the issue at the time was not split along

ideological lines, the company's location and type manipulations in Study 2 were not as clearly linked to an expected side on the issue.

**Polarization of Firm Opinions (H4).** We examine whether communicating a political stance on an issue polarizes (increases the variance of) stakeholder valuations of the firm (H4) by looking at summary statistics of opinions before and after our political stance manipulations. Table 4 displays the means and the standard deviations for the *Pos Opinion* variable by condition for both Study 1 (Panel A) and Study 2 (Panel B). Additionally, it shows the percentage of stakeholders who reported maximum appreciation for the company (7/7 on a Likert scale), that we refer to as “enthusiastic” stakeholders, and the percentage of stakeholders who reported minimum appreciation for the company (1/7 on a Likert scale), that we refer to as “very displeased” stakeholders. The top four rows in each panel display these values before the treatment, while the bottom four rows display the same values after the manipulation.<sup>17</sup>

Table 4 Panel A shows that taking a political stance in favor of Biden or Trump decreases average perception (from 4.49 to 3.92 for pro-Biden firms and from 4.32 to 2.97 for pro-Trump firms), and also increases the variance of these perceptions (the standard deviations increase from 1.15 to 1.85 for pro-Biden firms and from 1.23 to 2.05 for pro-Trump firms). An F-test on the equality of variances before and after treatment confirms that these difference are statistically significant (variances which are statistically different (at 5%) from those before are indicated in bold). Additionally, these firms experience an increased share of very high stakeholder perceptions (“enthusiastic” stakeholders) after taking pro-Biden (from 3.8% to 5.1%) or pro-Trump (from 3.4% to 7.2%) stances. They also experience an even more increased share of very low stakeholder perceptions (“very displeased” stakeholders): from 0.9% to 16.6% when taking a pro-Biden stance and from 2.7% to 36.5% when taking a pro-Trump stance.

Panel B reports consistent results for Study 2. The “Denounce” stance leads to a

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<sup>17</sup>The first column displays the mean, standard deviation, percentage of enthusiastic stakeholders, and percentage of very displeased stakeholders for subjects exposed the the pro-Biden political statements, before and after the manipulation. The other columns follow the same structure.

slight increase in the firm's average perception, while a "Not Denounce" stance leads to a marked decrease. In both cases, the variance increases. Additionally, the share of very high stakeholder perceptions increases both after communicating either a Denounce (from 7.2% to 13%) or a Not Denounce (from 5.2% to 6.9%) stance, though notably less than the corresponding increase in the share of very displeased stakeholders from communicating either stance.<sup>18</sup> Very low stakeholder perceptions increased from 4.6% to 9.6% for Denounce and 2.8% to 22.1% for Not Denounce.

**Values and Expectations Differences ( $r$ ) - H3.** Unlike the three other model parameters which we directly manipulate or vary in our experiments ( $\mu$ ,  $a$  and  $p$ ),  $r$  as a concept is generally unobservable and thus not easily manipulable. We get around this issue in Study 2 by varying firms' ideological stance communications to proxy for expected credibility of the communication. Specifically, we randomize whether the communication is accompanied by reference to a monetary donation or not in order to test H3. Because a communication backed by a monetary donation should decrease concerns about the sincerity of the firm's communication compared to one which is not, this should reduce the relative weight or importance of the "expectations difference." We thus interpret the inclusion of monetary donations in the communication as decreasing the weight associated with the expectations difference,  $1 - r$  and increasing the weight associated with the values difference,  $r$ . (See Sec 3.3.2 for more discussion.)

Table 5 reports the result of these analysis with between-subject regressions.<sup>19</sup> We observe that mentioning donations does indeed lower the perception of the firm in both specifications compared to not doing so, in line with H3. Specifically, Column 2 shows the negative effect of donations is driven by the firms supporting Not Denounce with monetary commitments, while the interaction between Donations and Denounce

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<sup>18</sup>We performed a t-test of mean comparisons for the percentage of enthusiastic stakeholders and that of very displeased stakeholders before and after treatment. In Study 1 we see the increase in enthusiastic stakeholders is statistically significant for Trump but not Biden. In Study 2, it is significant for "Denounce" but not "Not Denounce". The increase in very displeased stakeholders is always significant in both studies for both political stances.

<sup>19</sup>We do not include within-subjects regressions as each subject read only one between the Statement and the Donations condition for the Denounce and the Not Denounce political stances.

is directionally positive.

**Robustness Checks.** We conducted a number of robustness checks for the main analyses reported in the paper. Consistent with our pre-registration, we conducted the main analyses with the alternative dependent variables we collected in place of *Positive Opinion* and report them in Appendix F. These DVs are all highly correlated, and as such we focused on *Positive Opinion* in the paper. Additionally, we confirmed that our results are robust to alternative specifications of our dependent variable, which include using as our DV a composite variable combining the subjects' responses to the various opinion questions, as well as using as our DV opinion about the company after having read the CEO communication (rather than deleting from this the baseline responses after reading the company location and type descriptions).<sup>20</sup> In Study 1, our results are robust to re-weighting our sample to reflect a 1/3 - 1/3 - 1/3 split in participant ideology. Additionally, our results are in line with our theory when we re-weight participants in order to construct an asymmetric distribution of opinions about the issue of focus for Study 1, and a symmetric distribution of opinions about the issue of focus for Study 2. This ensures that it is not peculiarities of the political issue of focus, rather than the distribution of opinion, which is driving our results. Finally, our results are robust to including controls in our regression specifications for any observable variables that were statistically different across conditions (none in Study 1; political affiliation in Study 2 - see Table 1).

## 7 Discussion and Conclusion

Our formal model and empirical evidence highlight critical contingencies for firms to consider when deciding whether, and how, to speak out about political issues. The first is the distribution of stakeholders' opinions on a political issue. When opinion is symmetrically divided, communication of a stance in either ideological direction is on average negatively received. On the other hand, when opinion is (sufficiently)

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<sup>20</sup>In our pre-registration we also indicated we would explore potential moderating variables. We opted not to include these, as we find the main effects of the experiment already rich and comprehensive.

asymmetric, firms can benefit from pandering to popular stakeholder opinion.<sup>21</sup>

Importantly, this distinction helps to reconcile the mixed empirical results found to date examining average responses to firms communicating stances on social-political issues. In [Burbano \(2021a\)](#), the distribution of opinion on the issue of focus (gender-neutral bathrooms) was symmetric by design; and indeed, this paper found an average negative effect of communicating a stance on employee motivation. Likewise, the issues of focus in work which finds negative average responses are those about which opinion is likely close to symmetrically divided. [Hou and Poliquin \(2022\)](#) find an average negative effect on sales resulting from corporate activism about gun control - an issue about which 48 percent of Americans support.<sup>22</sup> [Wang et al. \(2022\)](#) find an average negative impact of brands' Black Lives Matter support on consumer responses; 55 percent of U.S. adults express at some support for the movement.<sup>23</sup> In contrast, [Chatterji and Toffel \(2019\)](#) find a positive average effect on intent to purchase Apple products after priming participants with the Apple CEO's communication in favor of LGBTQ rights. Given that 70 percent of Americans support same-sex marriage, it seems likely that the distribution of opinion amongst participants on this issue was asymmetric.<sup>24</sup> Thus, what appears to be mixed results in assessing the effects of CEO activism on individuals' responses can likely be reconciled with the contingency highlighted in this paper - the distribution of opinion on the issue amongst the individuals of focus.<sup>25</sup>

Prior work on the implications of social-political activism has not considered the strategic implications of the difference between actively communicating an apolitical stance and staying silent on an issue, yet these are two differentiated communication

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<sup>21</sup>This condition may be more likely to apply to smaller, entrepreneurial organizations rather than larger, more geographically diverse companies.

<sup>22</sup><https://www.pewresearch.org/fact-tank/2021/09/13/key-facts-about-americans-and-guns>

<sup>23</sup><https://www.pewresearch.org/fact-tank/2021/09/27/support-for-black-lives-matter-declined-after-george-floyd-protests-but-has-remained-unchanged-since/>

<sup>24</sup><https://news.gallup.com/poll/350486/record-high-support-same-sex-marriage.aspx>

<sup>25</sup>Other than in [Burbano \(2021a\)](#), the distribution of opinion in the samples included in the aforementioned papers is not directly reported. We are thus making the inference that the distribution of opinion in each paper's samples is likely to mirror that of the US population. This seems likely to be the case since, for example, [Chatterji and Toffel \(2019\)](#) use a US survey sample of participants.



strategies that firms must choose between if they do not take an ideological stance.<sup>26</sup> We illustrate that expectations about the firm's positioning on an issue are critical determinants of when an overtly apolitical stance is preferred to silence. If a firm is expected to support an issue, individuals who do not support the issue prefer explicitly apolitical stances to silence, while those who support the issue prefer silence to an apolitical stance. Which of these two effects dominates depends on both the (a)symmetry of the issue and the prior positioning of the firm. With symmetric issues, apolitical dominates silence whenever the values difference matters more than the expectations difference. When symmetry is broken, explicitly apolitical positions dominate whenever firms were expected to be centrist in the first place.

Interestingly, we found in our empirical results, contrary to our initial prediction, that it can be beneficial for firms to communicate a stance which is incongruent with what is expected. This is notable, given extant work which has highlighted the penalties of inconsistency and incongruence in organizational claims and characteristics (Abraham and Burbano (2022); Baum et al. (2016); Bode et al. (2017)). In Appendix E we describe an extension of our model which explains this finding. Essentially, if we assume individuals vary not only in their political opinions but also hold different valuations of the firm (based on non-political-stance factors), our model predicts that it can be optimal for dominant firms to communicate a stance which is incongruent with what is expected. Essentially, dominant firms can align politically with the camp that would otherwise value them less, while, due to their initial dominance, not giving up (too much of their) existing stakeholder base. The incongruence benefit in this context can be thought of as the "Goya effect" - with Goya's endorsement of Donald Trump in 2020 and the resulting effect on Goya sales providing a clear illustration of this mechanism.<sup>27</sup> Given that existing work tends to characterize political communication

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<sup>26</sup>Related work in the context of prosocial claims has emphasized that silence is a strategic choice (Carlos and Lewis, 2018), though prosocial claims are broadly socially acceptable (McDonnell and King, 2013), and thus are distinct from the type of communication of focus in this paper.

<sup>27</sup>Goya endorsed Donald Trump in 2020. Such endorsement constitutes a stance incongruent with expectations, as Goya's traditional consumer base skews Democratic. In line with our theoretical

as a niche strategy (Melloni et al. (2023) and Hydock et al. (2020))<sup>28</sup>, it is notable that our results suggest that dominant (not just niche) firms can benefit from political communication in some instances.

Our paper also highlights that ideological stance-taking not only influences average perceptions, but also polarizes perceptions, increasing the proportion of individuals who both highly like and highly dislike the firm. Which set of individuals the firm is focused on, and whether the firm seeks to increase these individuals' average perceptions or polarize their perceptions will vary by firm (and is outside the scope of this paper). Our model's starting point of a "set of stakeholders" is such that the individuals of focus are determined a priori by the firm (a firm could, at a given moment in time, be most focused on its current customers, or on its prospective customers, for example).

Relatedly, we note that, though modeling the effects of competition on firms' political communication is not the focus of this paper (see Mohliver et al. (2022) for an analysis focusing on this), the "stakeholders of focus" set up of our model can accommodate this interpretation. That is, one can think of the distribution of stakeholders' positions as only referring to those (potential) stakeholders who have not yet been "captured" by competing firms.<sup>29</sup> For example, consider an issue on which, initially, stakeholders are symmetrically divided. A firm whose main competitor has decided to position itself against the issue can be seen as making a political communication decision to optimize the response of the "leftover" stakeholders, which will skew towards supporting the issue, consistent with Mohliver et al. (2022). In other words, one

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predictions, Liaukonytė et al. (2022) find evidence of large sales increases in heavily Republican counties but no strong countervailing negative effect in heavily Democratic counties.

<sup>28</sup>For instance, Melloni et al. (2023) characterize instances in which it is possible (and beneficial) for the firm to credibly please one audience while displeasing another using a model of cheap talk. In this sense, their framework regards political communication as an intrinsically niche position: any firm aiming to capture both audiences should shy away from communication to avoid displeasing one of them. This is particularly true because, ex-ante, the firm is both politically neutral and equally appealing (product-wise) to both camps, unlike in our model, where both assumptions are relaxed. Hydock et al. (2020) bring a different but related perspective: niche firms have a lot to gain from the visibility brought by communicating bold political stances, while the opposite is true for mainstream firms, who run the risk of displeasing their (large) stakeholder bases with little benefit to show for it. That is, the "boycott-buycott asymmetry" from political communication tilts in favor of less established firms.

<sup>29</sup>By captured, we refer to individual stakeholders who have already been won over by a competing firm; e.g., consumers already buying from a competitor, or individuals already working for a competitor.

can interpret asymmetries in stakeholders' opinions in our model either as primitives (e.g., stakeholders are split unequally on an issue) or as information possessed by a second mover firm. Of course, this stops short of a full equilibrium analysis, one that incorporates the strategic incentives of both first and second movers, which is outside the scope of our paper.

**Limitations and Opportunities for Future Work.** Certainly, our paper is not without limitations. Our formal model includes a number of assumptions which may or may not always hold in practice. We discuss our model's assumptions and how our results might change under different assumptions in Appendix B.

Our survey experiments capture hypothetical self-reported responses to CEO political activism, as opposed to observing responses and behavior in response to CEO political activism in the field. Given the recency of the phenomenon of focus in our paper, we maintain that these experiments represent a useful first step in the empirical examination of the strategic implications of this emerging phenomenon given the challenges of gathering observational data on a phenomenon that is so new. Each of the two experiments was furthermore implemented during the time that the political issue of focus was being covered extensively by the media and after companies and CEOs had communicated stances on the issues. Additionally, given that individual stakeholders' responses are often key to the mechanisms which underlie how firms' strategic choices influence firm success (Felin and Foss, 2006; Foss and Pederson, 2016), scholars examining the strategic implications of social and environmental activism by companies and CEOs have highlighted the importance of examining individual-level responses to the communication of such stances (Burbano, 2021a; Chatterji and Toffel, 2019; Dodd and Supa, 2014; Wowak et al., 2022), and an experiment is particularly well-positioned to shed causal light on individual-level responses to such communications.

Furthermore, we believe that the coupling of our formal theory with direct empirical manipulation of the model's key variables to test our model's predictions is an important strength of our paper. The empirical support we provide of our model's

main tenets and predictions points to the validity of the model, and suggests that extensions of our model could be a fruitful direction for future work.

There are a number of extensions that could be explored starting from our model. One potential extension would be to model stakeholder opinion dynamics which could be allowed to change over time. In our model, issues are fixed, and so are stakeholders' positions over time. It would be interesting to examine whether and how firms might consider dynamically adapting their political communication strategies to changing societal norms and beliefs. In this case, the "expectations difference" effects might be more salient than in our experiment (in which firms' expected positions were manipulated to proxy expected political leaning at one moment in time). We thus might expect firms' internal coherence to play a more salient role in shaping perceptions.

Our experiments focused on issues which are overtly political in nature, a recent form of CEO social-political activism which has seen an uptick in recent years. We expect that our model and findings should apply more broadly to the wide range of social-political issues about which CEOs and firms are increasingly communicating stances, however. Indeed, it has been established that all social-political issues which have been the focus of CEO activism more broadly can essentially be categorized on the left-right ideological spectrum (Wowak et al., 2022).

**Conclusion.** Our paper contributes to an understanding of individual-level responses to a recent and under-explored phenomenon: CEO (political) activism. It serves as an important step in moving forward our understanding of the circumstances under which it is more or less beneficial to "talk politics in business," thus contributing to the nascent scholarship on the strategic implications of CEOs and corporations communicating stands on social, environmental, and political issues outside the realm of their core businesses (Bhagwat et al., 2020; Burbano, 2021a; Chatterji and Toffel, 2019; Dodd and Supa, 2014; Hou and Poliquin, 2022; Mohliver and Hawn, 2019 WP; Mohliver et al., 2022; Wowak et al., 2022).

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## Tables

Table 1: **Descriptive Statistics**

**Panel A: Study 1**

	Biden	Trump	Apolitical	Control	AK	CA	PA	<i>Total</i>
Republican	0.32	0.35	0.30	0.29	0.32	0.33	0.30	0.32
Democrat	0.38	0.40	0.39	0.43	0.39	0.39	0.41	0.40
Independent	0.30	0.25	0.32	0.28	0.30	0.27	0.29	0.29
Female	0.44	0.49	0.42	0.43	0.46	0.42	0.46	0.44
Mean Age	32.67	34.09	33.40	32.53	33.78	32.75	33.00	33.18
Education	0.476	0.51	0.48	0.46	0.52	0.44	0.49	0.48
Total	313	293	279	268	384	398	371	1153

**Panel B: Study 2**

	Denoun	NotDenoun	Apolitical	Control	AK	CA	PA	<i>Total</i>
Republican	0.33	0.28	0.33	0.34	0.30	0.33	0.32	0.32
Democrat	<b>0.41</b>	<b>0.43</b>	0.38	0.33	0.42	0.38	0.40	0.40
Independent	<b>0.26</b>	0.28	0.29	0.33	0.28	0.29	0.28	0.28
Confidence	0.74	0.74	0.75	0.73	0.75	0.75	0.71	0.74
No Confidence	0.26	0.26	0.25	0.27	0.25	0.25	0.29	0.26
Female	0.45	0.41	0.46	0.40	0.42	0.43	0.44	0.43
Mean Age	35.19	34.47	33.99	35.29	34.30	34.82	35.22	34.77
Education	0.54	0.48	0.50	0.52	0.52	0.52	0.50	0.51
Total	583	579	295	297	611	570	573	1754

**Notes:** This table displays descriptive statistics for our samples. Panel A displays descriptive statistics for Study 1, while Panel B displays them for Study 2. We performed t-tests of mean comparisons for the characteristics listed in Panel A and B across conditions. In particular we compared the means of the Biden, Trump, and Apolitical treatments with those of the control condition and the means of each company treatment with the other two company treatments. We report in bold those that are significantly different (at 5%) from the control or from the other company conditions.

Table 2: Effects of Communicating a Stance on Positive Opinion of the Firm - Study 1

	(1)	(2)	(3)	(4)
	Pos Opinion	Pos Opinion	Pos Opinion	Pos Opinion
	<i>All</i>	<i>All</i>	<i>All</i>	<i>All</i>
<i>Political stances</i>				
Biden	-0.632*** (0.135)	-0.444** (0.207)	-0.299*** (0.065)	-0.411*** (0.101)
Trump	-1.408*** (0.132)	-1.541*** (0.236)	-1.233*** (0.061)	-1.267*** (0.101)
Apolitical	0.080 (0.098)	0.331* (0.173)	0.438*** (0.048)	0.543*** (0.083)
<i>Other variables</i>				
Republican		0.064 (0.147)		
Democrat		0.127 (0.115)		
Biden*Dem		1.221*** (0.248)		1.442*** (0.128)
Biden*Rep		-2.027*** (0.314)		-1.455*** (0.145)
Trump*Rep		1.703*** (0.320)		1.407*** (0.144)
Trump*Dem		-1.177*** (0.277)		-1.031*** (0.127)
Apolitical*Rep		0.160 (0.247)		0.275** (0.115)
Apolitical*Dem		-0.760*** (0.231)		-0.481*** (0.114)
R2	.105	.383	.264	.483
N	1153	1153	4612	4612

**Notes:** This table examines the effect of our treatments on the perceptions about companies for Study 1. Columns 1 and 2 report between-subjects results, while Columns 3 and 4 report within-subjects results. "All" indicates that all firms (regardless of location and type) are included. The baseline for Political Stances is the Silence/Control condition. The baseline for political affiliation of the individual is Independent. \*\*\*  $p < 0.01$  \*\*  $p < 0.05$  \*  $p < 0.10$

Table 3: Effects of Communicating a Stance on Positive Opinion of the Firm - Study 2

	(1) Pos Opin <i>All</i>	(2) Pos Opin <i>All</i>	(3) Pos Opin <i>All</i>	(4) Pos Opin <i>All</i>
<i>Political Stances</i>				
Denounce	0.308*** (0.091)	-1.202*** (0.178)	0.385*** (0.049)	-1.043*** (0.099)
Not Denounce	-0.905*** (0.086)	0.166 (0.145)	-0.756*** (0.048)	0.285*** (0.085)
Apolitical	-0.129 (0.095)	0.655*** (0.155)	0.002 (0.041)	0.812*** (0.077)
<i>Other Variables</i>				
Confidence	-0.055 (0.100)	-0.078 (0.083)		
Denounce*Conf		2.043*** (0.201)		1.929*** (0.109)
NotDenounce*Conf		-1.455*** (0.175)		-1.413*** (0.100)
Apolitical*Conf		-1.046*** (0.190)		-1.098*** (0.089)
R2	.086	.232	.244	.370
N	1754	1754	7016	7016

**Notes:** This table examines the effects of our treatments on the perceptions about companies for Study 2. Columns 1 and 2 report between-subjects results, while Columns 3 and 4 report within-subjects results. "All" indicates that all firms (regardless of location and type) are included. The baseline for Political Stances is the Silence/Control condition. The baseline for the Confidence variable is No Confidence. \*\*\*  $p < 0.01$  \*\*  $p < 0.05$  \*  $p < 0.10$

Table 4: Positive Opinion of Firm - Comparisons across Treatments

Panel A: Study 1

	Biden	Trump	Control
<i>Before Treatment</i>			
Mean	4.49	4.32	4.29
Std. Deviation	1.15	1.23	1.35
“Enthusiastic” stakeh.	3.8%	3.4%	3%
“Very displeased” stakeh.	0.9%	2.7%	4.8%
<i>After Treatment</i>			
Mean	3.92	2.97	4.35
Std. Deviation	<b>1.85</b>	<b>2.05</b>	1.37
“Enthusiastic” stakeh.	5.1%	<b>7.2%</b>	4.1%
“Very displeased” stakeh.	<b>16.6%</b>	<b>36.5%</b>	4.1%

Panel B: Study 2

	Denounce	Not Denounce	Control
<i>Before Treatment</i>			
Mean	4.41	4.51	4.49
Std. Deviation	1.42	1.3	1.25
“Enthusiastic” stakeh.	7.2%	5.2%	5.4%
“Very displeased” stakeh.	4.6%	2.8%	1%
<i>After Treatment</i>			
Mean	4.58	2.97	4.35
Std. Deviation	<b>1.80</b>	<b>1.94</b>	1.31
“Enthusiastic” stakeh.	<b>13%</b>	6.9%	5.4%
“Very displeased” stakeh.	<b>9.6%</b>	<b>22.1%</b>	<b>2.3%</b>

**Notes:** This table compares the means and the standard deviations of the “Pos Opinion” variable for the Biden and Trump manipulations in Study 1 (Panel A) and the Denounce and Not Denounce manipulations in Study 2 (Panel B) in the first iteration each subject observes. It also displays the percentage of stakeholders (“enthusiastic stakeholders”) who reported maximum appreciation for the company (7/7 on a Likert scale) and the percentage of stakeholders (“very displeased stakeholders”) who reported minimum appreciation for the company (1/1 on a Likert scale). The top four rows per panel display these values before the treatment, while the bottom four rows display the same values after the treatments. We performed a test on the equality of standard deviations, and bolded the standard deviations that were significantly different (at 5%) after treatment compared to those before treatment. We also performed t-tests of mean comparisons for the characteristics listed in the last two rows (enthusiastic stakeholders and very displeased stakeholders) across conditions. We report in bold those that are statistically different (at 5%) from the same characteristics before treatment.

Table 5: Effect of Referencing Donations in Political Stance Communications- Study 2

	(1)	(2)
	Pos Opin	Pos Opin
Donations	-0.235** (0.115)	-0.401*** (0.152)
Confidence	0.213 (0.130)	0.199 (0.142)
Denounce		1.059*** (0.146)
Denounce*Donations		0.313 (0.219)
R2	.006	.104
N	1162	1162

**Notes:** This table examines the effect of the Donations treatment on the perceptions about companies in Study 2. It reports between-subjects results. The baseline for Political Stances is a Statement condition, with no mention of Donations. The baseline for Denounce is the Not Denounce condition. The baseline for the Confidence variable is No Confidence. \*\*\*  $p < 0.01$  \*\*  $p < 0.05$  \*  $p < 0.10$

Figure 1: Theoretical Parameters and Experimental Manipulations

	Study 1	Study 2
<b>Symmetry in opinion re: political issue</b> ( $p$ )	Presidential election 2020 $p=1/2$	(Some) Congress members voted against certifying US election results 2021 $p>1/2$
<b>Political stance manipulations</b> ( $a$ )	<ol style="list-style-type: none"> <li>1. Pro-Biden Stance</li> <li>2. Pro-Trump Stance</li> <li>3. Apolitical Stance</li> <li>4. Control</li> </ol>	<ol style="list-style-type: none"> <li>1. Denounce Congress members who voted against certifying election results</li> <li>2. Would not denounce</li> <li>3. Apolitical Stance</li> <li>4. Control</li> </ol>
<b>Expected stance manipulations</b> ( $\mu$ )	<ol style="list-style-type: none"> <li>1. Tech co., HQ in CA (expected to lean democrat)</li> <li>2. Oil co., HQ in AK (expected to lean republican)</li> <li>3. Food &amp; beverage co., HQ in PA (expected to be neutral)</li> </ol>	
<b>Relative importance of expectations vs. values difference</b> ( $r$ )	NA	Political stance manipulations 1 & 2 sub-divided into: a) Mention of monetary support (higher $r$ ) b) No mention of monetary support (lower $r$ )

**Notes:** This figure displays a summary of how our manipulations in the experiments reflect each of the key parameters in our theoretical model.

# Appendix - For Online Publication

## A Proofs

### Proof of Derivations for Average Perception and Polarization Formulas

We have

$$V^\mu(a) = pV^\mu(a, 0) + (1 - p)V^\mu(a, 1).$$

Thus,

$$\begin{aligned} V^\mu(a) &= pV^\mu(a, 0) + (1 - p)V^\mu(a, 1) \\ &= Q - (1 - r) \cdot (a - \mu)^2 - p \cdot r \cdot a^2 - (1 - p) \cdot r \cdot (1 - a)^2. \end{aligned}$$

Moreover,

$$\begin{aligned} P^\mu(a) &= |V^\mu(a, 0) - V^\mu(a, 1)| \\ &= \max(V^\mu(a, 0), V^\mu(a, 1)) - \min(V^\mu(a, 0), V^\mu(a, 1)) \\ &= r \cdot \max(a^2 - (1 - a)^2, (1 - a)^2 - a^2) \\ &= r \cdot \max(2a - 1, 1 - 2a) \\ &= r|2a - 1|, \end{aligned}$$

### Proof of Hypothesis 1

**1.A** Assume without loss of generality  $\mu \geq 1/2$ . (The case of  $\mu < 1/2$  case can be handled symmetrically.)

We have the following:

$$V^\mu(1) = \frac{2Q - r - (1 - r)(1 - \mu)^2 - (1 - r)(1 - \mu)^2}{2}$$

$$V^\mu(0) = \frac{2Q - r - (1 - r)\mu^2 - (1 - r)\mu^2}{2}$$

$$V^\mu(1/2) = \frac{2Q - 2(1 - r)(1/2 - \mu)^2 - r(1/2 - 1)^2 - r(1/2 - 0)^2}{2}$$

$$V^\mu(\mu) = \frac{2Q - r\mu^2 - r(1 - \mu)^2}{2}$$

To prove **1.A**, it suffices to show that  $V^\mu(1) < V^\mu(\mu)$  and  $V^\mu(1) < V^\mu(1/2)$ , given that in **1.B** we show that  $V^\mu(1) > V^\mu(0)$ . Combined, these three inequalities imply that  $\max(V^\mu(0), V^\mu(1)) = V^\mu(1) < \min(V^\mu(1/2), V^\mu(\mu))$ .

As we are interested in relative comparisons, we can multiply each of these by 2, then subtract  $Q$ .

Let's start from the starkest comparison: not saying anything at all versus taking an extreme (congruent) position. We have

$$V^\mu(1) \geq V^\mu(\mu) \Leftrightarrow r\mu^2 + r(1 - \mu)^2 \geq r + 2(1 - r)(1 - \mu)^2 \Leftrightarrow r(1 - \mu)(-2\mu) \geq 2(1 - r)(1 - \mu)^2.$$

If  $\mu = 1$ , the two strategies coincide and equality trivially holds. Consider now  $\mu < 1$ . In this case, the left hand side is strictly negative, while the right hand side is strictly positive, leading to a contradiction. Thus,  $V^\mu(1) < V^\mu(\mu)$ .

To show that silence dominates extreme congruent positioning, notice that

$$V^\mu(1/2) \geq V^\mu(1) \Leftrightarrow r + 2(1-r)(1-\mu)^2 \geq 2(1-r)(1/2-\mu)^2 + \frac{r}{4}.$$

Simplifying, this yields

$$V^\mu(1/2) \geq V^\mu(1) \Leftrightarrow \frac{r}{4} - \frac{r}{2} < (1-r)((1-\mu)^2 - (1/2-\mu)^2).$$

This simplifies to  $-r/4(1-r) < (1/2)(3/2-2\mu)$ . The right hand side is positive whenever  $\mu < 3/4$ : for these values, the equality holds for every  $r$ , since the LHS is always negative.

To study the case  $\mu > 3/4$ , notice that the right hand side is minimized at  $\mu = 1$ . (Its derivative in  $\mu$  is given by  $-2(1-\mu) + 2(1/2-\mu) < 0$ ). When  $\mu = 1$ , the right hand side equals  $1/2 \cdot (3/2-2) = -1/4$ . On the other hand, the left hand side,  $-r/4$ , is smaller than  $-1/4$  whenever  $r \geq 1/2$ , which concludes the proof.

**1.B** We now show that  $V^\mu(1) > V^\mu(0)$ . We have

$$\begin{aligned} V^\mu(1) > V^\mu(0) &\Leftrightarrow -r - 2(1-r)(1-\mu)^2 > -r - 2(1-r)\mu^2 \\ &\Leftrightarrow 1-\mu > \mu \\ &\Leftrightarrow \mu > 1/2. \end{aligned}$$

Moreover, since  $V^\mu(1) - V^\mu(0) = -(1-r)((1-\mu)^2 - \mu^2)$ , we have that

$$\frac{\partial V^\mu(1) - V^\mu(0)}{\partial r} = (1-\mu)^2 - \mu^2 \leq 0 \Leftrightarrow \mu \geq 1/2,$$

which concludes the proof.

### Proof of Corollary 1

Let  $r = 1, p = 1$ . Then,  $V^\mu(1) = Q$ , independently on  $\mu$ . On the other hand  $V^\mu(\mu) = Q - (1-\mu)^2$ ,  $V^\mu(1/2) = Q - (1-1/2)^2$  and  $V^\mu(1/2) = Q - (1-0)^2$ .

Thus, clearly we have that

$$V^\mu(1) \geq \max(V^\mu(\mu), V^\mu(1/2), V^\mu(0)),$$

whenever  $r = 1, p = 1$ , with equality holding only in the trivial case  $\mu = 1$ .

By continuity, there exist a  $\bar{p} < 1$  such that, for every  $p^* \in (\bar{p}, 1)$ , there exist a value  $\bar{r}(p^*) < 1$  such that, for every  $r^* \in (\bar{r}(p^*), 1)$  the above inequality continues to hold for  $p = p^*$  and  $r = r^*(p^*)$  (and thus a fortiori for  $p \geq p^*$  and  $r \geq r^*(p^*)$ ), which concludes the proof.

### Proof of Hypothesis 2

We prove the case  $\mu \geq 1/2$ . The case  $\mu \leq 1/2$  can be handled symmetrically.

When  $\mu \geq 1/2$ , we have that

$$V^\mu(1/2, 0) = V^\mu(1/2, 1) = Q - \frac{r}{4} - (1-r) \cdot \left(\frac{1}{2} - \mu\right)^2,$$



$$V^\mu(\mu, 0) = Q - r \cdot \mu^2,$$

$$V^\mu(\mu, 1) = Q - r \cdot (1 - \mu)^2.$$

Thus,

$$\begin{aligned} V^\mu(1/2, 0) - V^\mu(\mu, 0) &= -\frac{r}{4} - (1-r) \cdot \left(\frac{1}{2} - \mu\right)^2 + r\mu^2 \\ &\geq r\left(\mu^2 - \left(\frac{1}{2} - \mu\right)^2 - \frac{1}{4}\right) \\ &\geq r\left(\frac{1}{4} - 0 - \frac{1}{4}\right) \\ &= 0, \end{aligned}$$

where the first inequality follows from the fact that  $r \geq 1/2$ , and the second from the fact that the expression is increasing in  $\mu$  (its derivative is given by  $2\mu + 2(\frac{1}{2} - \mu) = 1$ ).

To show that  $V^\mu(1/2, 1) - V^\mu(\mu, 1) < 0$ , notice that

$$\begin{aligned} V^\mu(1/2, 1) - V^\mu(\mu, 1) &= -\frac{r}{4} - (1-r) \cdot \left(\frac{1}{2} - \mu\right)^2 + r(1-\mu)^2 \\ &\leq -(1-r) \cdot \left(\frac{1}{2} - \mu\right)^2 \\ &\leq 0, \end{aligned}$$

where the inequality follows from the fact that, whenever  $\mu \geq 1/2$ ,  $(1-\mu)^2 \leq \frac{1}{4}$ . This concludes the proof.

### Proof of Corollary 2

We now turn to the comparison between staying silent and being explicitly apolitical.

$$V^\mu(\mu) \geq V^\mu(1/2) \Leftrightarrow \frac{r}{4} + (1-r)(1/2 - \mu)^2 \geq \frac{r}{2}(1-\mu)^2 - \frac{r}{2}\mu^2$$

Simplifying, we get

$$\begin{aligned} V^\mu(\mu) \geq V^\mu(1/2) &\Leftrightarrow \frac{2(1-r)}{r} \cdot (1/2 - \mu)^2 \geq 1/2\mu + \mu^2 + \mu^2 - 1/2 \\ &\Leftrightarrow \frac{2(1-r)}{r} (1/2 - \mu)^2 \geq 2(\mu^2 - \mu + 1/4) \\ &\Leftrightarrow \frac{2(1-r)}{r} \geq \frac{2(\mu - 1/2)^2}{(1/2 - \mu)^2} = 2 \\ &\Leftrightarrow r \leq 1/2, \end{aligned}$$

which concludes the proof.

### Proof of Hypothesis 3

We have that

$$\frac{\partial V^\mu(1, 0)}{\partial r} = -1 + (1 - \mu)^2$$

and

$$\frac{\partial V^\mu(1,1)}{\partial r} = (1-\mu)^2.$$

Combined, these imply

$$\begin{aligned} \frac{\partial V^\mu(1)}{\partial r} &= \frac{\partial \left( pV^\mu(1,0) + (1-p)V^\mu(1,1) \right)}{\partial r} \\ &= -p + (1-\mu)^2. \end{aligned}$$

Thus,  $\frac{\partial V^\mu(1)}{\partial r} \geq 0 \Leftrightarrow \frac{(1-\mu)^2}{p} > 1$ , which concludes the proof.

### Proof of Hypothesis 4

The result follows straightforwardly from the definition of  $P^\mu(\cdot)$ . See page 7.

### Proof of Hypothesis 5

Defining demand/endorsement from camp  $j$  as

$$D^{\mu_j}(a) = 1 \Leftrightarrow Q_j - r \cdot (\mu_j - a)^2 - (1-r) \cdot (\mu - a)^2 \geq 0,$$

and  $D^{\mu_j}(a) = 0$  otherwise, we have that,  $D^0(\cdot) = 1$  is achievable if and only if

$$D^0(0) = 1 \Leftrightarrow Q_0 - (1-r) \cdot \mu^2 \geq 0.$$

This is more likely when  $r$  is close to 1 and  $\mu$  is close to 1/2. Intuitively, both decrease the expectations difference.

Can the firm achieve full demand by means of this extreme incongruent positioning? This is the case whenever

$$D^1(0) = 1 \Leftrightarrow Q_1 - r - (1-r) \cdot (1-\mu)^2 \geq 0.$$

Notice that this is more likely when  $r$  is close to 0 and  $\mu$  is close to 1. This is exactly the opposite of the previous condition. Intuitively, from camp 1 point of view, the values difference is more damaging than the expectation difference (since the firm's chosen positioning is close to 0, while its expected/prior positioning  $\mu \geq 1/2$ ), and the latter is least damaging when  $\mu$  is close to 1.

If  $Q_1$  is high enough so as to satisfy this condition, then the firm can obtain full demand by choosing  $a = 0$ , that is, by pandering to the incongruent camp. Notice that this can be optimal even when doing so is detrimental to average firm perception – as a particular case, when the incongruent camp is small in size, or  $p < 1/2$ .

Of course, 0 need not be the only viable strategy to achieve full demand. Whenever  $Q_0 - (1-r) \cdot \mu^2 > 0$ , by continuity in  $a$  we have that  $Q_0 - r \cdot a^2 - (1-r) \cdot (a-\mu)^2 \geq 0$  for  $a$  small enough.

## B A Brief Discussion of Our Model’s Assumptions

We now discuss some of our modelling choices – as well as how alternative ones might influence the results.

- **No intrinsic preferences for political communication (or silence).** In our model, stakeholders do not value communication – or, conversely, silence – *per se*. In reality, stakeholders likely display substantial heterogeneity in these dimensions, some believing that firms should “stay out of politics”, some, on the contrary, finding silence and apolitical positions on important issues repugnant. Our empirical data reflect such heterogeneity in predictable directions, e.g., with older and more right-leaning stakeholders favoring the former positions, while Gen-Zers and more left-leaning ones favor the the latter. In our model, silence ( $a = \mu$ ) and communication ( $a \neq \mu$ ) are treated similarly, with no additional punishment (or reward) for communication versus silence *per se*.

It should be noted that, if anything, by featuring an explicit “expectation difference” – which hurts the perception of firms that choose to communicate ( $a \neq \mu$ ) – our model is closer one that intrinsically rewards silence. Nevertheless, when studying situations about which silence might be considered repugnant (e.g., George Floyd’s murder in June 2020), one can write an augmented perception function including an additional “expression benefit”, such as

$$V^\mu(a, \mu_j) = Q - r(a - \mu_j)^2 - (1 - r)(a - \mu)^2 + k\left(a - \frac{1}{2}\right)^2.$$

for some  $k > 0$ . This benefit is minimized whenever  $a = 1/2$  and maximized when  $a = 0$  or  $a = 1$ . Clearly, this would skew our normative results towards more partisan communication. However, this increase would be constant across firms (that is, it would not depend on  $Q$  or  $\mu$ ), such that the main features of our results would remain unaltered.

- **Modeling “Credibility”.** We model the importance of credibility explicitly by including an “expectations difference” component in the stakeholder’s valuation of the firm. In this sense, our model assume stakeholders are partially naïve in their beliefs-formation, as they do not explicitly take the firm’s incentives to communicate into account when determining how credible such communication is, but simply discount messages that are ideologically far from the firm’s expected positioning. Motivated by a rich literature in information economics (originating with Crawford and Sobel (1982)), Melloni et al. (2023) study a formal cheap talk model of political communication. They find that communication can only be credible when issues are polarizing enough: if this is not the case, then rational stakeholders can infer firms are simply pandering to the majority to increase profits, which makes the firm’s message not believable and thus fully discounted by stakeholders. Thus, they predict that communication should not occur (or, at least, that it would not be beneficial) whenever  $p$  is far from  $1/2$ .

In sharp contrast with this, these are the situations in which we argue (and empirically show) that communication is most beneficial to firms. We believe our

conclusions align with the intuitive notion that, if all or a vast majority of a firm's set of target stakeholders share the same ideological position on an issue, that silence on those stances would be perceived negatively. Thus, while our model takes credibility issues seriously by featuring an "expectations difference" term, it also predicts these will be dwarfed, rather than magnified, whenever stakeholder opinions on issues are highly asymmetric. In this sense, one could think of our model as providing support for some naïvete in stakeholders' belief formation about firms' communication and motives.

- **No competitive considerations.** Our model only features one firm. How would our conclusions change if several firms were present? To provide some intuition, consider the case of an asymmetric issue. Whenever the popular position becomes "crowded" – that is, several competing firms endorse it – the less popular one could become more attractive as a "differentiation tool". With two firms of very unequal qualities, for instance, an equilibrium might feature the high quality firm endorsing the popular position, and the low quality one endorsing the unpopular one. We refer to [Mohliver et al. \(2022\)](#) for a thorough study of how competition affects the incentives of firms to communicate.

## C Illustrative Example

To give some sense of how strong this asymmetry must be to for a firm's communication of partisan stances (whether congruent or incongruent) to improve, rather than worsen, opinions of the firm, let  $r = 4/5$  and  $\mu = 1/4$ . Then, ordering the four strategies from left (0) to right (1), we have that

$$V^\mu(0) = Q - \frac{4}{5} \cdot (1-p) - \frac{1}{5} \cdot (1/2)^2,$$

$$V^\mu(1/4) = Q - \frac{4}{5} \cdot p \cdot (1/2)^2 - \frac{4}{5} \cdot (1-p) \cdot (1/2 - 1)^2,$$

$$V^\mu(1/2) = Q - \frac{4}{5} \cdot (1-p)(1 - 1/2)^2 - \frac{4}{5} \cdot (1/2)^2 - \frac{1}{5} \cdot (1/2 - 1/4)^2,$$

$$V^\mu(1) = Q - \frac{4}{5} \cdot p - \frac{1}{5} \cdot (1 - 1/4)^2.$$

Simple algebra shows that:

- The firm should pander to the (camp 0) majority ( $a = 0$ ) when  $p > 0.91$
- The firm should stay silent ( $a = 1/4$ ) when  $p \in [0.59, 0.91]$
- The firm should be explicitly apolitical ( $a = 1/2$ ) when  $p \in [0.125, 0.59]$
- The firm should pander to the (camp 1) majority ( $a = 1$ ) when  $p < 0.125$ .

In the above example, being explicitly apolitical – and not silent – dominates when stakeholders are symmetrically divided on the issue ( $p = 0.50$ ). This is because silence ( $\mu = 1/4$ ) incurs very high “values difference” costs with camp 1 stakeholders, and when these stakeholders are at least  $100\% - 59\% = 41\%$  of the total, this effect dominates. This might help rationalize Coinbase and Basecamp's strategies: if expected to be closer to the left than to the right, re-positioning to the middle might have helped if the issue was close to symmetric (and, *a fortiori*, if it was skewed towards the right), and if “expectations differences” were not too salient (they only count for  $1/5$  in our example).

Second, it takes a more overwhelming majority of camp 0 stakeholders (91%) for it to be optimal for the firm to pander to them than it does of camp 1 stakeholders ( $100\% - 12.5\% = 87.5\%$ ). That is, pandering appears to be more likely to be optimal when it is an incongruent strategy than when it is a congruent one. This is not immediately intuitive. Given the costs imposed by “expectations differences”, why isn't pandering on the congruent side more beneficial? The reason for this is that pandering on the congruent side ( $a = 0$ ) is well approximated by silence ( $a = 1/4$ ) and, unless the majority of camp 0 stakeholders is overwhelming (at least 91%), silence does better, as it incurs no “expectations differences” costs and lower “values differences” costs with camp 1 stakeholders (which are particularly high when the firm is located close to 0, due to convexity). Pandering on the incongruent side does a bit worse in absolute terms (due to the higher “expectations difference” cost it incurs), but because there is no alternative strategy approximating it, it is more likely to be optimal among the four strategies whenever camp 1 stakeholders are an overwhelming enough majority.

## D Experimental Manipulations - Average Perceptions

In our main experiments, we used a Tech company headquartered in California as a Democrat-leaning firm, an Oil&Gas company headquartered in Alaska as a Republican-leaning firm, and a Food&Beverage company headquartered in Pennsylvania as neither congruent nor incongruent with either ideological stance. We based these decisions on data described below, as well as an additional experiment.

We focused on popular industries that donate more to one side or the other. Tech is an industry that donates mostly to Democrats, Oil & Gas to Republicans, and Food & Beverage relatively evenly split. For example, in the 2020 cycle, 84% of Tech industry donations went to Biden and 16% to Trump. For Oil & Gas, 69% Trump and 31% Biden. For Food & Beverage, 50.5% Trump and 49.5% Biden.<sup>30</sup> Similarly, we chose our states based on expected election results. According to election forecasts at the time, California was a solid Democrat state, Alaska was a solid pro-Trump state (85% likelihood of winning the state), California a solid pro-Biden state (99% likelihood of winning the state) and Pennsylvania was battleground state, indicated as the more likely state to be a “tipping point” (36.5% chances of delivering the decisive Electoral College vote).<sup>31</sup>

Furthermore, we tested that our manipulations serve as effective proxies for the firm characteristics we wanted to emulate. As we wanted to vary individuals’ expectations about a firm’s political leaning, we randomly assigned communication about a firm’s headquarters and industry. We tested these two elements separately on Prolific by showing subjects three manipulations about states, three manipulations about industries, and three manipulations that combined these two elements (as in the manipulation we use for our main experiments). We invited 150 subjects, evenly split between Democrats, Republicans and Independents in their affiliation reported on Prolific. Three subjects did not respond correctly to an attention check and we dropped them, leaving us with a total of 147 subjects. Each one of them read nine descriptions about companies and each one of them reported the political leanings of the company on a scale from 1 to 7 (1= very likely Democrat; 7= very likely Republican). We report these results in Table 6.

The first three rows report the results for companies located in different states and show that companies located in Alaska are perceived as most likely Republican, and companies located in California as most likely Democrat. Pennsylvania companies are in the middle. We then tested companies’ industries, based on their donation patterns (Tech is an industry that donates mostly to Democrats, Oil& Gas to Republicans, and Food & Beverages evenly split). Our results show that companies in Oil&Gas are perceived as most likely Republican, companies in Tech most likely Democrat, and companies in Food&Beverages in the middle. Finally, we combine these two treatments for our final treatment and find once again support for our hypotheses. Alaskan companies in Oil& Gas are perceived very likely to be Republican, Californian companies in Tech very likely to be Democrat, and Food&Beverages companies from Pennsylvania are in the middle. We performed a test of equality of means and, in

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<sup>30</sup>Source: [Open Secrets](#).

<sup>31</sup>Source: [FiveThirtyEight](#). Note that election results after Study 1 confirmed these forecasts: Biden had a clear victory in California (29%), Trump a clear victory in Alaska (10%), while in Pennsylvania, there was a 1.17% margin.

all cases, the means were significantly different (at 5%) from the neutral condition (Pennsylvania, Food&Beverages, Pennsylvania and Food&Beverages).

Table 6: Effects on the Average Perception of Companies

	Average
Alaska	<b>5.18</b>
California	<b>2.18</b>
Pennsylvania	3.86
Oil&Gas	<b>5.9</b>
Tech	<b>3.24</b>
Food& Beverage	4.11
Alaska & Oil&Gas	<b>6.03</b>
California & Tech	<b>2.37</b>
Pennsylvania & Food& Beverage	4.07
Respondents	147

**Notes:** This table examines the effect of our treatments on subjects' perceptions of companies. Companies are evaluated on a scale from 1 (very likely Democrat) to 7 (very likely Republican). The first three rows report the results for companies located in different states. The next three rows report results for companies in different industries. Finally, the last three rows combine states and industries, using the treatments we used in the main experiments reported in the paper. We performed a test of equality of means and bolded the means that were significantly different (at 5%) from the neutral condition: Pennsylvania, Food, or Pennsylvania and Food.

## E Extension: Communicating an Incongruent Stance

Overall, our empirical results provide support for the model's predictions, with the exception of H1b. Our lack of support for H1b is interesting, given that congruence or consistency in claims and signals is generally viewed positively, and incongruence or inconsistency in claims and signals is generally viewed negatively (Baum et al., 2016), due to the fact that greater consistency and congruence in claims is associated with greater credibility and legitimacy (Durcikova and Gray, 2009). Nevertheless, our experimental results provided some evidence of positive, rather than negative, reactions to incongruent political stances. Furthermore, we observe incongruent messaging in the real world, with CEOs endorsing political positions that are surprising in light of their prior/expected positioning. How can we reconcile this?

Our theoretical model helps illuminate two conceptually distinct potential mechanisms through which firms can benefit from incongruent communication. The first is perhaps the more obvious one: firms should accept the costs of incongruent communication when their expected/prior positioning is (too) far from the current positioning of the average stakeholder. In other words, firms will sometimes engage in incongruent communication to pander to the majority (Corollary 1). In doing so, firms *maximize* the average of stakeholders perceptions.

The second mechanism through which incongruent communication can benefit the firm from a perception perspective is more subtle, and requires relaxing one assumption of the model, as we explain in what follows and develop in a post-hoc H5.

An important underlying assumption in our theoretical analysis in Sec 3 is that stakeholders' political stances and their non-political tastes for the firm ( $Q$ ) are uncorrelated. In other words,  $Q$  was agreed upon by both camp 0 and camp 1 stakeholders. It could be the case, however, that individuals' political orientation and non-political preferences for a firm (e.g., due to preferences for the firm's mission or other characteristics), are positively correlated. For example, new tech enthusiasts are both more likely to lean democrat and more likely to have a preference for tech companies, while gun enthusiasts are both more likely to lean republican and to have a preference for gun companies.

To consider implications of this possibility using the scaffolding of our formal model, we relax the assumption of a common, agreed upon  $Q$ , and instead assume that the two camps of stakeholders have different non-political valuations for the firm, which we denote by  $Q_0$  and  $Q_1$ . Notice that the introduction of asymmetric  $Q$ 's does not influence any of our results regarding perception: the levels of  $Q$  simply shift perceptions for the two camps of stakeholders up or down, but do not affect optimal strategies.

The case of positive correlation between  $Q$  and  $\mu$  corresponds to the scenario in which  $\mu > 1/2$  if and only if  $Q_1 > Q_0$ . In other words, stakeholders who rate the firm more highly on non-political dimensions ( $Q_1 > Q_0$ ) are the same as those who are more closely aligned with it politically ( $\mu > 1/2$  implies  $|\mu - 1| < |\mu - 0|$ ).

In this setting, how should the firm use its political communication to complement its non-political positioning in the market? In particular, can political communication increase average perception about the firm? And what about the polarization of opinions of the firm? Moreover, should political communication be used to *reinforce*



the firm's position among its stakeholders or, conversely, to attract the *opposite* camp of stakeholders?

It is easy to think of examples which might lead to firms choosing each of the aforementioned strategies. For instance, a firm which is currently struggling with its existing stakeholder base ( $Q_1$  not too high, despite the fact that  $Q_1 > Q_0$ ) might employ political communication to rally its existing core stakeholders ( $a = 1$ ). On the other hand, a firm that finds itself in an extremely strong strategic position with its existing stakeholder base ( $Q_1$  very high) might elect to employ political communication in an opposite manner; that is, to try and attract camp 0 stakeholders (if  $Q_0$  is not too low), while not giving up its existing stakeholder base.

We find that which of these two strategies is optimal depends on the levels of  $Q_0$  and  $Q_1$ . In particular, when  $Q_1$  is very high and  $Q_0$  not too low (the strongest possible strategic position for the firm), we find that the firm can achieve a pivotal increase in camp 0 perception while managing a non-pivotal decrease in camp 1 perception. Formally,

**Hypothesis 5** (Incongruent Political Stance as a Mainstream Strategy). *Incongruent political communication maximizes stakeholder perceptions whenever it helps high-quality firms align with the stakeholder camp which values it less without eroding support from the stakeholder camp which values it more.*

*Formally, let  $\mu > 1/2$ . If  $Q_1$  is high enough and  $Q_0$  not too low, then the firm is best off choosing  $a = 0$ . This is true independent of  $p$ .*

That is, when operating from a strong strategic position, the firm can choose to displease its original stakeholder base in order to please the opposite camp of stakeholders (so as to attract this opposite camp). When the firm is dominant enough with one camp to begin with (and not too disliked by the opposite camp), it can benefit by doing this.

Notice that, contrary to the case illustrated in Corollary 1, incongruent communication here *minimizes* average stakeholder perception, at least when  $p = 1/2$ . This follows from H1. However, it maximizes the share of stakeholders whose perception is above a (high enough) threshold. In Appendix A we offer some additional comments on the proof of this result.

Responses to Goya's endorsement of Donald Trump in 2020 serve as a case example in support of H5. Such an endorsement constitutes a stance likely incongruent with expectations, since Goya's traditional consumer base skews Democratic (in our framework,  $\mu > 1/2$ ,  $a = 0$ ). The brand has historically been very strong with Latinos and – to a lesser extent – black consumers (high  $Q_1$ ), who lean Democrat, and relatively weaker with Republican-leaning whites ( $Q_0 < Q_1$ , despite  $Q_0$  being relatively high). In line with our theoretical prediction, [Liaukonytė et al. \(2022\)](#) find evidence of large sales increases (56.4%) in heavily Republican counties but do not find a strong countervailing negative effect on sales in heavily Democratic counties. In particular, they show that Latino consumers, who make up Goya's core customer base and who tend to skew Democratic, did not significantly reduce their purchases.

## F Additional Tables and Figures

Table A1: Effects on Positive Opinion - Democrats Only - Study 1

	(1)	(2)	(3)	(4)
	Pos Opin	Pos Opin	Pos Opin	Pos Opin
	<i>Dem</i>	<i>Dem</i>	<i>Dem</i>	<i>Dem</i>
<i>Political Stances</i>				
Biden	0.835*** (0.164)	0.285 (0.211)	1.060*** (0.113)	0.810*** (0.186)
Trump	-2.524*** (0.181)	-2.796*** (0.241)	-2.029*** (0.107)	-2.457*** (0.175)
Apolitical	-0.416** (0.186)	-0.771*** (0.234)	0.174 (0.109)	-0.087 (0.197)
<i>Other Variables</i>				
Alaska		-0.107 (0.195)		0.092 (0.164)
Alaska*Biden		1.241*** (0.309)		0.510* (0.297)
Alaska*Trump		0.583 (0.363)		0.817*** (0.266)
Alaska*Apolitical		0.673* (0.365)		0.546* (0.302)
R2	.518	.559	.605	.633
N	305	305	1215	1215

**Notes:** This table examines the effect of our treatments on the perceptions among Democrats in Study 1. Only the Alaska-based Oil and Gas Company and the California-based company are included in these regressions. Columns 1 and 2 report between-subjects results, while Columns 3 and 4 report within-subjects results. "Dem" indicates that only Democrats are included. The baseline for Political Stances is the Silence/Control condition. The baseline for company type is the California-based tech company. \*\*\*  $p < 0.01$  \*\*  $p < 0.05$  \*  $p < 0.10$

Table A2: Effects on Positive Opinion - Republicans Only - Study 1

	(1)	(2)	(3)	(4)
	Pos Opin	Pos Opin	Pos Opin	Pos Opin
	<i>Rep</i>	<i>Rep</i>	<i>Rep</i>	<i>Rep</i>
<i>Political Stances</i>				
Biden	-2.383***	-2.496***	-1.743***	-1.907***
	(0.272)	(0.346)	(0.138)	(0.206)
Trump	0.344	0.447	0.115	0.307
	(0.244)	(0.380)	(0.134)	(0.242)
Apolitical	0.606***	0.760***	0.902***	0.999***
	(0.196)	(0.244)	(0.115)	(0.213)
<i>Other Variables</i>				
Alaska		-0.370		-0.116
		(0.241)		(0.192)
Alaska*Biden		0.276		0.319
		(0.531)		(0.345)
Alaska*Trump		-0.191		-0.379
		(0.473)		(0.348)
Alaska*Apolitical		-0.311		-0.178
		(0.381)		(0.327)
R2	.380	.394	.563	.568
N	254	254	987	987

**Notes:** This table examines the effect of our treatments on the perceptions among Democrats in Study 1. Only the Alaska-based Oil and Gas Company and the California-based company are included in these regressions. Columns 1 and 2 report between-subjects results, while Columns 3 and 4 report within-subjects results. "Rep" indicates that only Republicans are included. The baseline for Political Stances is the Silence/Control condition. The baseline for company type is the California-based tech company. \*\*\*  $p < 0.01$  \*\*  $p < 0.05$  \*  $p < 0.10$

Table A3: Effects of Congruent and Incongruent Political Stances - Study 1

	(1)	(2)
	Pos Opinion	Pos Opinion
Congruent	0.496** (0.202)	0.505** (0.202)
Incongruent	0.630*** (0.232)	0.648*** (0.232)
Democrat		0.120 (0.204)
Republican		-0.166 (0.221)
Constant	-1.335*** (0.159)	-1.335*** (0.206)
R2	.015	.018
N	606	606

**Notes:** This table examines the effect of taking a political position that is congruent with the expectation about the company in Study 1. We limited the sample to instances where companies took either a pro-Biden or pro-Trump position. The baseline for Congruence is Neither Congruent nor Incongruent. The baseline for political affiliation of the individual is Independent. \*\*\*  $p < 0.01$  \*\*  $p < 0.05$  \*  $p < 0.10$

Table A4: Effects on Positive Opinion - Confident Only - Study 2

	(1) Pos Opin <i>Conf</i>	(2) Pos Opin <i>Conf</i>	(3) Pos Opin <i>Conf</i>	(4) Pos Opin <i>Conf</i>
<i>Political Stances</i>				
Denounce	0.746*** (0.114)	0.631*** (0.182)	0.907*** (0.074)	0.873*** (0.119)
Not Denounce	-1.169*** (0.116)	-1.381*** (0.177)	-0.968*** (0.071)	-1.198*** (0.115)
Apolitical	-0.294** (0.127)	-0.291 (0.221)	-0.127** (0.063)	-0.185* (0.111)
<i>Other Variables</i>				
Alaska		0.041 (0.130)		0.151 (0.098)
Alaska*Denounce		0.223 (0.231)		0.055 (0.197)
Alaska*Not Denounce		0.469** (0.231)		0.487*** (0.165)
Alaska*Apolitical		-0.010 (0.267)		0.101 (0.162)
R2	.217	.227	.473	.484
N	887	887	3459	3459

**Notes:** This table examines the effect of our treatments on the perceptions among people confident in the election results in Study 2. Only the Alaska-based Oil and Gas Company and the California-based company are included in these regressions. Columns 1 and 2 report between-subjects results, while Columns 3 and 4 report within-subjects results. "Conf" indicates that only people confident in the election results are included. The baseline for Political Stances is the Silence/Control condition. The baseline for company type is the California-based tech company. \*\*\*  $p < 0.01$  \*\*  $p < 0.05$  \*  $p < 0.10$

Table A5: Effects on Positive Opinion - Not Confident Only - Study 2

	(1)	(2)	(3)	(4)
	Pos Opin <i>No Conf</i>	Pos Opin <i>No Conf</i>	Pos Opin <i>No Conf</i>	Pos Opin <i>No Conf</i>
<i>Political Stances</i>				
Denounce	-1.214*** (0.223)	-0.707** (0.305)	-1.073*** (0.154)	-0.765*** (0.229)
Not Denounce	0.155 (0.170)	0.207 (0.243)	0.289** (0.129)	0.312 (0.224)
Apolitical	0.377** (0.190)	0.364* (0.205)	0.731*** (0.117)	0.836*** (0.192)
<i>Other Variables</i>				
Alaska		0.290** (0.133)		0.160 (0.194)
Alaska*Denounce		-0.883** (0.438)		-0.591 (0.365)
Alaska*Not Denounce		-0.038 (0.342)		-0.066 (0.334)
Alaska*Apolitical		0.115 (0.397)		-0.215 (0.283)
R2	.143	.157	.455	.458
N	294	294	1211	1211

**Notes:** This table examines the effect of our treatments on the perceptions among people not confident in the election results in Study 2. Only the Alaska-based Oil and Gas Company and the California-based company are included in these regressions. Columns 1 and 2 report between-subjects results, while Columns 3 and 4 report within-subjects results. "No Conf" indicates that only people not confident in the election results are included. The baseline for Political Stances is the Silence/Control condition. The baseline for company type is the California-based tech company. \*\*\*  $p < 0.01$  \*\*  $p < 0.05$  \*  $p < 0.10$

Table A6: Effects of Communicating a Stance on the Desire to Work for the Firm - Study 1

	(1)	(2)	(3)	(4)
	Work For <i>All</i>	Work For <i>All</i>	Work For <i>All</i>	Work For <i>All</i>
<i>Political stances</i>				
Biden	-0.573*** (0.128)	-0.425** (0.215)	-0.424*** (0.060)	-0.470*** (0.096)
Trump	-1.264*** (0.131)	-1.478*** (0.251)	-1.164*** (0.060)	-1.312*** (0.103)
Apolitical	0.072 (0.090)	0.137 (0.173)	0.257*** (0.043)	0.266*** (0.077)
<i>Other variables</i>				
Republican		-0.060 (0.146)		
Democrat		0.197 (0.128)		
Biden*Dem		1.037*** (0.249)		1.197*** (0.119)
Biden*Rep		-1.665*** (0.312)		-1.356*** (0.139)
Trump*Rep		1.854*** (0.320)		1.512*** (0.138)
Trump*Dem		-1.083*** (0.294)		-0.831*** (0.131)
Apolitical*Rep		0.443* (0.231)		0.391*** (0.109)
Apolitical*Dem		-0.487** (0.221)		-0.333*** (0.102)
R2	.095	.353	.266	.475
N	1153	1153	4612	4612

**Notes:** This table examines the effect of our treatments on the desire to work for companies in Study 1. Columns 1 and 2 report between-subjects results, while Columns 3 and 4 report within-subjects results. "All" indicates that all firms (regardless of location and type) are included. The baseline for Political Stances is the Silence/Control condition. The baseline for political affiliation of the individual is Independent. \*\*\*  $p < 0.01$  \*\*  $p < 0.05$  \*  $p < 0.10$

Table A7: Effects of Communicating a Stance on the Desire to Work for the Firm - Study 2

	(1) Work For <i>All</i>	(2) Work For <i>All</i>	(3) Work For <i>All</i>	(4) Work For <i>All</i>
<i>Political Stances</i>				
Denounce	0.086 (0.083)	-1.283*** (0.167)	0.135*** (0.046)	-1.044*** (0.097)
Not Denounce	-0.798*** (0.086)	-0.033 (0.142)	-0.752*** (0.046)	0.172** (0.085)
Apolitical	-0.057 (0.094)	0.324** (0.150)	-0.022 (0.038)	0.588*** (0.069)
<i>Other Variables</i>				
Confidence	-0.094 (0.093)	-0.281*** (0.080)		
Denounce*Conf		1.854*** (0.187)		1.593*** (0.106)
NotDenounce*Conf		-1.038*** (0.174)		-1.254*** (0.098)
Apolitical*Conf		-0.505*** (0.188)		-0.825*** (0.082)
R2	.061	.174	.248	.349
N	1754	1754	7016	7016

**Notes:** This table examines the effect of our treatments on the desire to work for companies in Study 1. Columns 1 and 2 report between-subjects results, while Columns 3 and 4 report within-subjects results. "All" indicates that all firms (regardless of location and type) are included. The baseline for Political Stances is the Silence/Control condition. The baseline for political affiliation of the individual is Independent. \*\*\*  $p < 0.01$  \*\*  $p < 0.05$  \*  $p < 0.10$



Table A8: Effects of Communicating a Stance on Applying for a Job at the Firm - Study 1

	(1) Apply Job <i>All</i>	(2) Apply Job <i>All</i>	(3) Apply Job <i>All</i>	(4) Apply Job <i>All</i>
<i>Political stances</i>				
Biden	-0.612*** (0.126)	-0.750*** (0.206)	-0.465*** (0.060)	-0.484*** (0.097)
Trump	-1.246*** (0.132)	-1.445*** (0.244)	-1.197*** (0.060)	-1.278*** (0.101)
Apolitical	-0.006 (0.089)	-0.049 (0.165)	0.171*** (0.042)	0.211*** (0.077)
<i>Other variables</i>				
Republican		-0.193 (0.135)		
Democrat		-0.009 (0.118)		
Biden*Dem		1.346*** (0.242)		1.089*** (0.123)
Biden*Rep		-1.154*** (0.317)		-1.306*** (0.142)
Trump*Rep		1.787*** (0.312)		1.366*** (0.138)
Trump*Dem		-1.055*** (0.298)		-0.881*** (0.131)
Apolitical*Rep		0.517** (0.224)		0.284*** (0.108)
Apolitical*Dem		-0.283 (0.217)		-0.327*** (0.100)
R2	.087	.317	.267	.454
N	1153	1153	4612	4612

**Notes:** This table examines the effect of our treatments on the intentions to apply for jobs with the company in Study 1. Columns 1 and 2 report between-subjects results, while Columns 3 and 4 report within-subjects results. "All" indicates that all firms (regardless of location and type) are included. The baseline for Political Stances is the Silence/Control condition. The baseline for political affiliation of the individual is Independent. \*\*\*  $p < 0.01$  \*\*  $p < 0.05$  \*  $p < 0.10$

Table A9: Effects of Communicating a Stance on Applying for a Job at the Firm - Study 2

	(1) Apply Job <i>All</i>	(2) Apply Job <i>All</i>	(3) Apply Job <i>All</i>	(4) Apply Job <i>All</i>
<i>Political Stances</i>				
Denounce	0.077 (0.081)	-1.024*** (0.176)	0.076* (0.043)	-1.012*** (0.094)
Not Denounce	-0.853*** (0.088)	0.062 (0.155)	-0.759*** (0.047)	0.172** (0.084)
Apolitical	-0.145 (0.088)	0.318** (0.137)	-0.056 (0.037)	0.503*** (0.070)
<i>Other Variables</i>				
Confidence	-0.121 (0.092)	-0.100 (0.092)		
Denounce*Conf		1.489*** (0.194)		1.469*** (0.102)
NotDenounce*Conf		-1.244*** (0.185)		-1.263*** (0.099)
Apolitical*Conf		-0.618*** (0.174)		-0.757*** (0.082)
R2	.068	.171	.255	.350
N	1754	1754	7016	7016

**Notes:** This table examines the effect of our treatments on the intentions to apply for jobs with the company in Study 2. Columns 1 and 2 report between-subjects results, while Columns 3 and 4 report within-subjects results. "All" indicates that all firms (regardless of location and type) are included. The baseline for Political Stances is the Silence/Control condition. The baseline for political affiliation of the individual is Independent. \*\*\*  $p < 0.01$  \*\*  $p < 0.05$  \*  $p < 0.10$

**Table A10: Effects of Communicating a Stance on Others' Willingness to Work for the Firm - Study 1**

	(1)	(2)	(3)	(4)
	Others Work	Others Work	Others Work	Others Work
	<i>All</i>	<i>All</i>	<i>All</i>	<i>All</i>
<i>Political stances</i>				
Biden	-0.551*** (0.117)	-0.523*** (0.193)	-0.297*** (0.057)	-0.259*** (0.098)
Trump	-1.306*** (0.129)	-1.537*** (0.265)	-1.076*** (0.059)	-1.044*** (0.101)
Apolitical	-0.132 (0.085)	-0.107 (0.165)	0.148*** (0.041)	0.206** (0.081)
<i>Other variables</i>				
Republican		-0.234 (0.143)		
Democrat		-0.145 (0.128)		
Biden*Dem		0.969*** (0.232)		0.852*** (0.124)
Biden*Rep		-1.242*** (0.297)		-1.192*** (0.138)
Trump*Rep		1.672*** (0.322)		1.049*** (0.138)
Trump*Dem		-0.876*** (0.311)		-0.914*** (0.133)
Apolitical*Rep		0.488** (0.217)		0.189* (0.107)
Apolitical*Dem		-0.450** (0.207)		-0.297*** (0.103)
R2	.094	.304	.269	.421
N	1153	1153	4612	4612

**Notes:** This table examines the effect of our treatments on the subjects' beliefs that others would be willing to work for these companies in Study 1. Columns 1 and 2 report between-subjects results, while Columns 3 and 4 report within-subjects results. "All" indicates that all firms (regardless of location and type) are included. The baseline for Political Stances is the Silence/Control condition. The baseline for political affiliation of the individual is Independent. \*\*\*  $p < 0.01$  \*\*  $p < 0.05$  \*  $p < 0.10$

**Table A11: Effects of Communicating a Stance on Others' Willingness to Work for the Firm - Study 2**

	(1) Other Work <i>All</i>	(2) Other Work <i>All</i>	(3) Other Work <i>All</i>	(4) Other Work <i>All</i>
<i>Political Stances</i>				
Denounce	0.100 (0.080)	-0.900*** (0.177)	0.129*** (0.042)	-0.790*** (0.093)
Not Denounce	-0.823*** (0.078)	-0.220* (0.132)	-0.710*** (0.043)	-0.085 (0.077)
Apolitical	-0.275*** (0.086)	0.235 (0.154)	-0.093*** (0.035)	0.405*** (0.064)
<i>Other Variables</i>				
Confidence	-0.014 (0.086)	-0.080 (0.087)		
Denounce*Conf		1.354*** (0.195)		1.242*** (0.102)
NotDenounce*Conf		-0.818*** (0.161)		-0.849*** (0.091)
Apolitical*Conf		-0.680*** (0.184)		-0.674*** (0.076)
R2	.071	.148	.269	.334
N	1754	1754	7016	7016

**Notes:** This table examines the effect of our treatments on the subjects' beliefs that others would be willing to work for these companies in Study 2. Columns 1 and 2 report between-subjects results, while Columns 3 and 4 report within-subjects results. "All" indicates that all firms (regardless of location and type) are included. The baseline for Political Stances is the Silence/Control condition. The baseline for political affiliation of the individual is Independent. \*\*\*  $p < 0.01$  \*\*  $p < 0.05$  \*  $p < 0.10$

Table A12: Effects of Communicating a Stance on Sharing Values with the Firm - Study 1

	(1) Values <i>All</i>	(2) Values <i>All</i>	(3) Values <i>All</i>	(4) Values <i>All</i>
<i>Political stances</i>				
Biden	-0.217 (0.142)	-0.115 (0.206)	-0.100 (0.068)	-0.166 (0.107)
Trump	-1.093*** (0.131)	-1.374*** (0.241)	-1.064*** (0.062)	-1.192*** (0.097)
Apolitical	0.070 (0.105)	0.251 (0.180)	0.369*** (0.049)	0.510*** (0.082)
<i>Other variables</i>				
Republican		-0.068 (0.121)		
Democrat		-0.018 (0.110)		
Biden*Dem		1.588*** (0.257)		1.646*** (0.132)
Biden*Rep		-2.204*** (0.301)		-1.859*** (0.142)
Trump*Rep		2.003*** (0.308)		1.757*** (0.141)
Trump*Dem		-1.059*** (0.279)		-1.074*** (0.119)
Apolitical*Rep		0.418* (0.250)		0.301*** (0.116)
Apolitical*Dem		-0.790*** (0.248)		-0.595*** (0.116)
R2	.059	.39	.203	.494
N	1153	1153	4612	4612

**Notes:** This table examines the effect of our treatments on the perceptions about companies sharing the subjects' values in Study 1. Columns 1 and 2 report between-subjects results, while Columns 3 and 4 report within-subjects results. "All" indicates that all firms (regardless of location and type) are included. The baseline for Political Stances is the Silence/Control condition. The baseline for political affiliation of the individual is Independent. \*\*\*  $p < 0.01$  \*\*  $p < 0.05$  \*  $p < 0.10$

Table A13: Effects of Communicating a Stance on Sharing Values with the Firm - Study 2

	(1) Values <i>All</i>	(2) Values <i>All</i>	(3) Values <i>All</i>	(4) Values <i>All</i>
<i>Political Stances</i>				
Denounce	0.547*** (0.093)	-1.186*** (0.178)	0.604*** (0.051)	-0.984*** (0.099)
Not Denounce	-0.893*** (0.086)	0.181 (0.157)	-0.719*** (0.049)	0.358*** (0.089)
Apolitical	-0.138 (0.098)	0.630*** (0.158)	0.007 (0.042)	0.773*** (0.075)
<i>Other Variables</i>				
Confidence	-0.057 (0.104)	-0.183** (0.090)		
Denounce*Conf		2.345*** (0.201)		2.146*** (0.110)
NotDenounce*Conf		-1.460*** (0.183)		-1.463*** (0.102)
Apolitical*Conf		-1.022*** (0.194)		-1.038*** (0.089)
R2	.109	.271	.242	.377
N	1754	1754	7016	7016

**Notes:** This table examines the effect of our treatments on the perceptions about companies sharing the subjects' values in Study 2. Columns 1 and 2 report between-subjects results, while Columns 3 and 4 report within-subjects results. "All" indicates that all firms (regardless of location and type) are included. The baseline for Political Stances is the Silence/Control condition. The baseline for political affiliation of the individual is Independent. \*\*\*  $p < 0.01$  \*\*  $p < 0.05$  \*  $p < 0.10$

Table A14: Effects of Communicating a Stance on Sincerity of the Firm - Study 1

	(1)	(2)	(3)	(4)
	Sincerity	Sincerity	Sincerity	Sincere
	<i>All</i>	<i>All</i>	<i>All</i>	<i>All</i>
<i>Political stances</i>				
Biden	-0.521*** (0.124)	-0.399** (0.202)	-0.043 (0.055)	-0.058 (0.091)
Trump	-0.760*** (0.125)	-0.926*** (0.233)	-0.467*** (0.055)	-0.518*** (0.092)
Apolitical	0.022 (0.100)	0.193 (0.183)	0.471*** (0.049)	0.516*** (0.087)
<i>Other variables</i>				
Republican		-0.096 (0.143)		
Democrat		0.101 (0.137)		
Biden*Dem		0.788*** (0.255)		0.809*** (0.118)
Biden*Rep		-1.295*** (0.304)		-0.968*** (0.135)
Trump*Rep		1.248*** (0.299)		0.835*** (0.128)
Trump*Dem		-0.667** (0.304)		-0.535*** (0.129)
Apolitical*Rep		0.328 (0.245)		0.329*** (0.118)
Apolitical*Dem		-0.683*** (0.244)		-0.374*** (0.119)
R2	.042	.198	.292	.395
N	1153	1153	4612	4612

**Notes:** This table examines the effect of our treatments on the perceptions about companies' sincerity in Study 1. Columns 1 and 2 report between-subjects results, while Columns 3 and 4 report within-subjects results. "All" indicates that all firms (regardless of location and type) are included. The baseline for Political Stances is the Silence/Control condition. The baseline for political affiliation of the individual is Independent. \*\*\*  $p < 0.01$  \*\*  $p < 0.05$  \*  $p < 0.10$

Table A15: Effects of Communicating a Stance on Sincerity of the Firm - Study 2

	(1)	(2)	(3)	(4)
	Sincerity	Sincerity	Sincerity	Sincerity
	All	All	All	All
<i>Political Stances</i>				
Denounce	0.356*** (0.084)	-0.778*** (0.176)	0.594*** (0.042)	-0.403*** (0.089)
Not Denounce	-0.427*** (0.088)	0.194 (0.159)	-0.172*** (0.046)	0.554*** (0.082)
Apolitical	0.132 (0.101)	0.495*** (0.179)	0.228*** (0.041)	0.809*** (0.075)
<i>Other Variables</i>				
Confidence	-0.023 (0.092)	-0.174* (0.103)		
Denounce*Conf		1.536*** (0.197)		1.347*** (0.097)
NotDenounce*Conf		-0.843*** (0.189)		-0.987*** (0.096)
Apolitical*Conf		-0.480** (0.215)		-0.787*** (0.089)
R2	.042	.121	.276	.348
N	1754	1754	7016	7016

**Notes:** This table examines the effect of our treatments on the perceptions about companies' sincerity in Study 2. Columns 1 and 2 report between-subjects results, while Columns 3 and 4 report within-subjects results. "All" indicates that all firms (regardless of location and type) are included. The baseline for Political Stances is the Silence/Control condition. The baseline for political affiliation of the individual is Independent. \*\*\*  $p < 0.01$  \*\*  $p < 0.05$  \*  $p < 0.10$



Table A16: Effects of Communicating a Stance on Willingness to Invest in the Firm - Study 1

	(1)	(2)	(3)	(4)
	Invest <i>All</i>	Invest <i>All</i>	Invest <i>All</i>	Invest <i>All</i>
<i>Political stances</i>				
Biden	-0.849*** (0.127)	-0.947*** (0.213)	-0.632*** (0.059)	-0.619*** (0.095)
Trump	-1.245*** (0.125)	-1.514*** (0.247)	-1.198*** (0.058)	-1.293*** (0.100)
Apolitical	-0.012 (0.095)	-0.000 (0.157)	0.145*** (0.044)	0.133* (0.075)
<i>Other variables</i>				
Republican		-0.282* (0.144)		
Democrat		0.070 (0.123)		
Biden*Dem		1.162*** (0.252)		1.004*** (0.119)
Biden*Rep		-1.041*** (0.320)		-1.299*** (0.142)
Trump*Rep		1.766*** (0.315)		1.203*** (0.141)
Trump*Dem		-0.841*** (0.291)		-0.716*** (0.128)
Apolitical*Rep		0.692*** (0.235)		0.356*** (0.110)
Apolitical*Dem		-0.552** (0.216)		-0.252** (0.104)
R2	.098	.299	.283	.446
N	1153	1153	4612	4612

**Notes:** This table examines the effect of our treatments on willingness to invest in the firm for Study 1. Columns 1 and 2 report between-subjects results, while Columns 3 and 4 report within-subjects results. "All" indicates that all firms (regardless of location and type) are included. The baseline for Political Stances is the Silence/Control condition. The baseline for political affiliation of the individual is Independent. \*\*\*  $p < 0.01$  \*\*  $p < 0.05$  \*  $p < 0.10$

Table A17: Effects of Communicating a Stance on Willingness to Invest in the Firm - Study 2

	(1)	(2)	(3)	(4)
	Invest	Invest	Invest	Invest
	All	All	All	All
<i>Political Stances</i>				
Denounce	0.021 (0.087)	-1.038*** (0.189)	0.032 (0.044)	-1.035*** (0.095)
Not Denounce	-0.890*** (0.088)	-0.148 (0.162)	-0.834*** (0.047)	-0.025 (0.085)
Apolitical	-0.234** (0.101)	0.223 (0.200)	-0.120*** (0.038)	0.374*** (0.068)
<i>Other Variables</i>				
Confidence	-0.061 (0.096)	-0.101 (0.106)		
Denounce*Conf		1.433*** (0.210)		1.441*** (0.104)
NotDenounce*Conf		-1.008*** (0.191)		-1.098*** (0.098)
Apolitical*Conf		-0.608*** (0.231)		-0.668*** (0.081)
R2	.062	.140	.2573	.354
N	1754	1754	7016	7016

**Notes:** This table examines the effect of our treatments on willingness to invest in the firm for Study 2. Columns 1 and 2 report between-subjects results, while Columns 3 and 4 report within-subjects results. "All" indicates that all firms (regardless of location and type) are included. The baseline for Political Stances is the Silence/Control condition. The baseline for political affiliation of the individual is Independent. \*\*\*  $p < 0.01$  \*\*  $p < 0.05$  \*  $p < 0.10$

Table A18: Effects of Communicating a Stance on Opinions about Future Share gains  
- Study 1

	(1)	(2)	(3)	(4)
	Shares Gain	Shares Gain	Shares Gain	Shares Gain
	<i>All</i>	<i>All</i>	<i>All</i>	<i>All</i>
<i>Political stances</i>				
Biden	-0.766*** (0.113)	-0.674*** (0.212)	-0.546*** (0.053)	-0.482*** (0.087)
Trump	-0.942*** (0.114)	-1.085*** (0.255)	-0.908*** (0.054)	-0.970*** (0.099)
Apolitical	-0.074 (0.094)	0.145 (0.179)	0.143*** (0.045)	0.160** (0.081)
<i>Other variables</i>				
Republican		-0.048 (0.155)		
Democrat		0.101 (0.134)		
Biden*Dem		0.626** (0.245)		0.607*** (0.112)
Biden*Rep		-1.013*** (0.306)		-0.965*** (0.134)
Trump*Rep		1.103*** (0.311)		0.727*** (0.135)
Trump*Dem		-0.604** (0.297)		-0.422*** (0.130)
Apolitical*Rep		0.204 (0.242)		0.255** (0.111)
Apolitical*Dem		-0.712*** (0.230)		-0.246** (0.108)
R2	.072	.198	.311	.394
N	1153	1153	4612	4612

**Notes:** This table examines the effect of our treatments on Opinions about Future Share gains for Study 1. Columns 1 and 2 report between-subjects results, while Columns 3 and 4 report within-subjects results. "All" indicates that all firms (regardless of location and type) are included. The baseline for Political Stances is the Silence/Control condition. The baseline for political affiliation of the individual is Independent. \*\*\*  $p < 0.01$  \*\*  $p < 0.05$  \*  $p < 0.10$

Table A19: Effects of Communicating a Stance on Opinions about Future Share gains  
- Study 2

	(1)	(2)	(3)	(4)
	Shares Gain	Shares Gain	Shares Gain	Shares Gain
	<i>All</i>	<i>All</i>	<i>All</i>	<i>All</i>
<i>Political Stances</i>				
Denounce	0.111 (0.085)	-0.839*** (0.173)	0.217*** (0.043)	-0.572*** (0.090)
Not Denounce	-0.951*** (0.090)	-0.545*** (0.165)	-0.755*** (0.044)	-0.215** (0.084)
Apolitical	-0.387*** (0.095)	-0.235 (0.177)	-0.078** (0.037)	0.230*** (0.069)
<i>Other Variables</i>				
Confidence	-0.044 (0.084)	-0.255** (0.123)		
Denounce*Conf		1.287*** (0.197)		1.067*** (0.099)
NotDenounce*Conf		-0.550*** (0.195)		-0.733*** (0.097)
Apolitical*Conf		-0.198 (0.209)		-0.417*** (0.081)
R2	.088	.138	.303	.347
N	1754	1754	7016	7016

**Notes:** This table examines the effect of our treatments on Opinions about Future Share gains for Study 2. Columns 1 and 2 report between-subjects results, while Columns 3 and 4 report within-subjects results. "All" indicates that all firms (regardless of location and type) are included. The baseline for Political Stances is the Silence/Control condition. The baseline for political affiliation of the individual is Independent. \*\*\*  $p < 0.01$  \*\*  $p < 0.05$  \*  $p < 0.10$

Table A20: Correlations between DVs

Panel A: Study 1

	Pos Op	WorkFor	Appply	OthersW	Values	Sinc	Inv	Shares
Pos Op	1							
WorkFor	0.78	1						
Appply	0.75	0.81	1					
OthersW	0.67	0.69	0.66	1				
Values	0.81	0.75	0.72	0.63	1			
Sinc	0.64	0.56	0.55	0.53	0.62	1		
Inv	0.72	0.72	0.70	0.63	0.69	0.54	1	
Shares	0.57	0.57	0.55	0.57	0.53	0.49	0.63	1

Panel B: Study 2

	Pos Op	WorkFor	Appply	OthersW	Values	Sinc	Inv	Shares
Pos Op	1							
WorkFor	0.76	1						
Appply	0.71	0.78	1					
OthersW	0.64	0.67	0.66	1				
Values	0.81	0.73	0.70	0.62	1			
Sinc	0.67	0.61	0.57	0.54	0.67	1		
Inv	0.68	0.69	0.68	0.61	0.66	0.54	1	
Shares	0.55	0.55	0.55	0.55	0.53	0.45	0.61	1

**Notes:** This table displays the correlations between our eight pre-registered dependent variables. Panel A displays descriptive statistics for Study 1, while Panel B displays them for Study 2.

Figure A1: Experimental Manipulations - Study 1

1. California Tech		2. Alaska Oil		3. Pennsylvania Food	
The focus of this business case is the CEO of					
<p>a major technology company, which is headquartered in California (“Tech Company”). The company produces, markets and sells consumer-facing software and hardware.</p> <p><b>a. Biden</b></p>	<p>a major energy company, which is headquartered in Alaska (“Oil&amp;Gas Company”). The company produces, markets and sells crude oil and natural gas and petroleum products.</p> <p><b>b. Trump</b></p>	<p>a major food and beverage company, which is headquartered in Pennsylvania (“Food Company”). The company produces, markets and sells food products and non-alcoholic beverages.</p> <p><b>c. Apolitical</b></p>	<p>a major food and beverage company, which is headquartered in Pennsylvania (“Food Company”). The company produces, markets and sells food products and non-alcoholic beverages.</p> <p><b>d. Control</b></p>		
The ( <i>Manipulation 1 Company</i> ) headquartered in ( <i>Manipulation 1 State</i> ) was recently in the news					
<p>because the CEO spoke up publicly and urged voters to support Joe Biden in the upcoming election.</p> <p>The company reached out to users of its (<i>Manipulation 1 Products</i>) products with an email from the CEO, describing how “anything less than a vote for Biden is a vote against democracy.”</p>	<p>because the CEO spoke up publicly and urged voters to support Donald Trump in the upcoming election.</p> <p>The company reached out to users of its (<i>Manipulation 1 Products</i>) products with an email from the CEO, describing how “anything less than a vote for Trump is a vote against America.”</p>	<p>because the CEO spoke up publicly regarding the wave of political activism across US companies ahead of the upcoming election.</p> <p>The company reached out to users of its (<i>Manipulation 1 Products</i>) products with an email from the CEO, describing how it is not taking a political position because it “should be focused on achieving its mission. This is the way that we can have the biggest impact.”</p>	<p>because the CEO spoke up publicly regarding the wave of political activism across US companies ahead of the upcoming election.</p> <p>The company reached out to users of its (<i>Manipulation 1 Products</i>) products with an email from the CEO, describing how it is not taking a political position because it “should be focused on achieving its mission. This is the way that we can have the biggest impact.”</p>		
<p>because the CEO spoke up publicly and urged voters to support Joe Biden in the upcoming election.</p> <p>The company reached out to users of its (<i>Manipulation 1 Products</i>) products with an email from the CEO, describing how “anything less than a vote for Biden is a vote against democracy.”</p>	<p>because the CEO spoke up publicly and urged voters to support Donald Trump in the upcoming election.</p> <p>The company reached out to users of its (<i>Manipulation 1 Products</i>) products with an email from the CEO, describing how “anything less than a vote for Trump is a vote against America.”</p>	<p>because the CEO spoke up publicly regarding the wave of political activism across US companies ahead of the upcoming election.</p> <p>The company reached out to users of its (<i>Manipulation 1 Products</i>) products with an email from the CEO, describing how it is not taking a political position because it “should be focused on achieving its mission. This is the way that we can have the biggest impact.”</p>	<p>because the CEO spoke up publicly regarding the wave of political activism across US companies ahead of the upcoming election.</p> <p>The company reached out to users of its (<i>Manipulation 1 Products</i>) products with an email from the CEO, describing how it is not taking a political position because it “should be focused on achieving its mission. This is the way that we can have the biggest impact.”</p>	<p>The company reached out to users of its (<i>Manipulation 1 Products</i>) products with an email from the CEO.</p>	

Notes: This figure displays the manipulations of Study 1 by condition.

Figure A2: Experimental Manipulations - Study 2

1. California Tech		2. Alaska Oil		3. Pennsylvania Food	
a. Denounce		b. Not Denounce		c. Apolitical	
The focus of this business case is the CEO of		The focus of this business case is the CEO of		The focus of this business case is the CEO of	
a major technology company, which is headquartered in California ("Tech Company"). The company produces, markets and sells consumer-facing software and hardware.		a major energy company, which is headquartered in Alaska ("Oil&Gas Company"). The company produces, markets and sells crude oil and natural gas and petroleum products.		a major food and beverage company, which is headquartered in Pennsylvania ("Food Company"). The company produces, markets and sells food products and non-alcoholic beverages.	
a. Denounce		b. Not Denounce		c. Apolitical	
The ( <i>Manipulation 1 Company</i> )		The ( <i>Manipulation 1 Company</i> )		The ( <i>Manipulation 1 State</i> )	
was recently in the news		was recently in the news		was recently in the news	
<b>a1. Statement</b>	<b>a2. Donations</b>	<b>b1. Statement</b>	<b>b2. Donations</b>	<b>c. Apolitical</b>	<b>d. Control</b>
because the CEO publicly denounced members of Congress who voted against certifying the results of the 2020 presidential election.	because the CEO publicly announced that it suspended its political donations through its PAC to members of Congress who voted against certifying the results of the 2020 presidential election.	because the CEO would not publicly denounce members of Congress who voted against certifying the results of the 2020 presidential election.	because the CEO publicly announced that it will keep giving its political donations through its PAC, including to members of Congress who voted against certifying the results of the 2020 presidential election.		
"Last week's attempts by some congressional members to subvert the presidential election results and disrupt the peaceful transition of power do not align with our values",	"Last week's attempts by some congressional members to subvert the presidential election results and disrupt the peaceful transition of power do not align with our values. Our financial support will reflect this",	"We will keep supporting lawmakers that serve our communities and align with our values, without being affected by what is going on in the news cycle",	"We will keep supporting lawmakers that serve our communities and align with our values, without being affected by what is going on in the news cycle. Our financial support will reflect this",	because the CEO publicly announced that it would not take a political position following last week's events in the U.S. capital.	and the company's CEO wrote a memo.
the company's CEO wrote in a memo.					

Notes: This figure displays the manipulations of Study 2 by condition.