Abstract:
Given the risks involved in corporate activism, companies may strategically refuse to take a stance when asked about a controversial sociopolitical issue. We examine how consumers will react to company statements when a company does not take a stance on a sociopolitical issue when being asked to do so. Specifically, we identify two different types of strategies that companies can use: direct silence (i.e., company provides a clear statement that explicitly states it is not going to take a stance on the controversial issue at hand); and indirect silence (i.e., company provides an obfuscating statement that speaks positively on the non-controversial broader topic rather than the raised controversial issue). We demonstrate that, for direct silence, conservative (vs. liberal) consumers evaluate the company more positively. This is driven by ideological differences in belief about whether firms should get involved in social and political issues. Meanwhile, for indirect silence, because of its ambiguity, consumers leverage contextual cues, such as the ideological framing of the sociopolitical issue, to infer the company’s ideological stance on the issue. Such inferences about the company’s stance then interact with consumers’ political ideology to drive company evaluation based on ideological congruency. We examine these predictions using Twitter data as well as experiments.