

*Does social media facilitate  
corporate misconduct?  
Of course!*

Bryan Husted  
EGADE Business School  
Tecnologico de Monterrey

Based on  
**Michael L. Barnett, Irene Henriques, &  
Bryan W. Husted**  
*The rise and stall of stakeholder  
influence:  
How the digital age limits social control*

# The dawning of the digital age

- ▶ Stakeholders influence firm behavior
  - ▶ Barnard (1938); Pfeffer & Salancik (1978); Freeman (1984)
- ▶ We have a strong understanding of when and how stakeholders influence firm behavior
  - ▶ Frooman (1999); Rowley (1997); Rowley & Moldoveanu (2003)
- ▶ But foundational studies are pre-digital age
  - ▶ Even those conducted recently generally don't account for the influence of the digital age on stakeholder influence
- ▶ How has stakeholder influence over firm behavior changed in the digital age?
  - ▶ Many have expected a drastic change!



# Digital age: democratizing control?

- ▶ Common expectation: Ease of info sharing increases stakeholder influence
- ▶ Digital age will empower stakeholders (Esty, 2004)
- ▶ Enable “everyday people...[to] change the world” (Aaker & Smith, 2010)
- ▶ Underpin widespread change across society, including political rule (Allcott & Gentzkow, 2017)
  - ▶ Creating events like the Arab Spring (Bruns, Highfield & Burgess, 2013)



## If nothing else, people can pester firms publicly

- ▶ “A bad review or negative comment can be retweeted by millions, and companies are often keen to diffuse customer anger very quickly in a public space such as Twitter. According to a poll of 2,000 people by the communications agency Fishburn Hedges and Echo Research in April 2012, 36% of people had used a social media platform to contact a big company and 65% said it was a better way than call centres to get in touch with companies.” (Wallis, 2014)



Who can forget this?

# But who can remember all of this?

**mary beard** @wmar... · 11h

Of course one can't condone the (alleged) behaviour of Oxfam staff in Haiti and elsewhere. But I do wonder how hard it must be to sustain "civilised" values in a disaster zone. And overall I still respect those who go in to help out, where most of us wd not tread.

180 Retweets 152 Retweets 1,034 Likes



**Joy Reid** @JoyAnnReid

That Amtrak derailment is yet another reminder that America needs substantial infrastructure investment. Our priorities are all wrong. Tax cuts for the super rich and corporations are NOT more important than lifesaving investments in technology, transportation etc.

1:35 PM · 18 Dec 17

14.3K Retweets 37.6K Likes

**Justine Sacco** @JustineSacco

Going to Africa. Hope I don't get AIDS. Just kidding. I'm white!

1,635 Retweets 681 Favorites

10:19 AM · 20 Dec 13 from Hillingdon, London

**David Leavitt** @David\_Leavitt

Too soon?

55 Retweets 181 Likes

2:22 AM · 23 May 2017 from Boston, MA

3.2K Retweets 55 Retweets 181 Likes

**Sharanya Manivannan** @ranyamanivannan

Appalling, dehumanising, privilege-strutting, racist message on Priyanka Chopra's tee on this mag cover. @LakshmiGandhi have you seen this?

2:32 PM · 8 Oct 2016 · Fort Tondiarpet, India, India

29 Retweets 19 Likes

**Gary Lineker** @GaryLineker

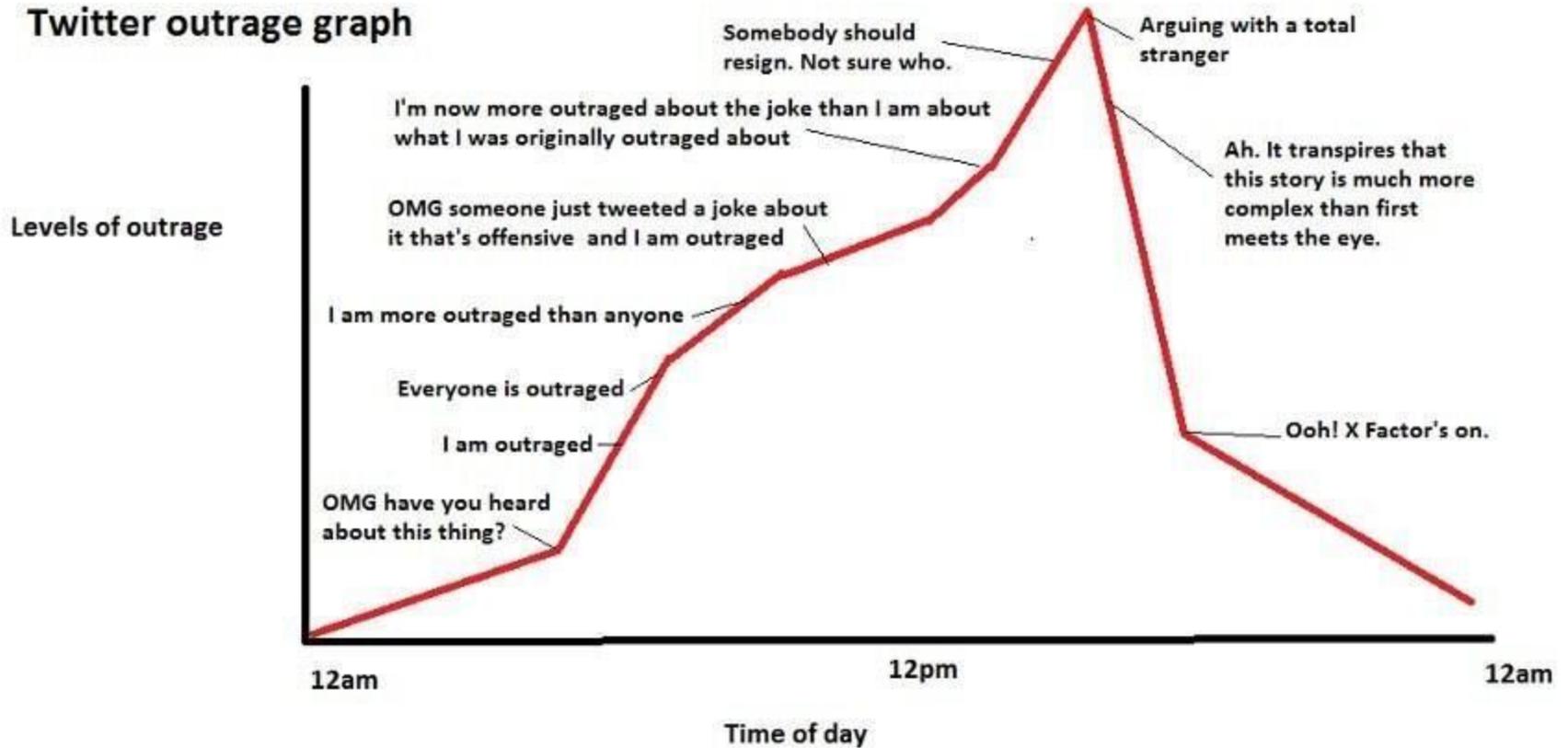
This whole BBC salary exposure business is an absolute outrage...I mean how can @achrisevans be on more than me?

3:20 PM · 19 Jul 2017

3,172 Retweets 19,770 Likes

2.0K Retweets 3.2K Retweets 20K Likes

## Twitter outrage graph



# Too much of a good thing?

- ▶ “In the age of technology there is constant access to vast amounts of information. The basket overflows; people get overwhelmed; the eye of the storm is not so much what goes on in the world, it is the confusion of how to think, feel, digest, and react to what goes on.” (Jami, Venus in Arms)
- ▶ “It makes it easier for activists to express themselves, and harder for that expression to have any impact.” (Gladwell, 2010)



# Manipulating information? Astroturfing

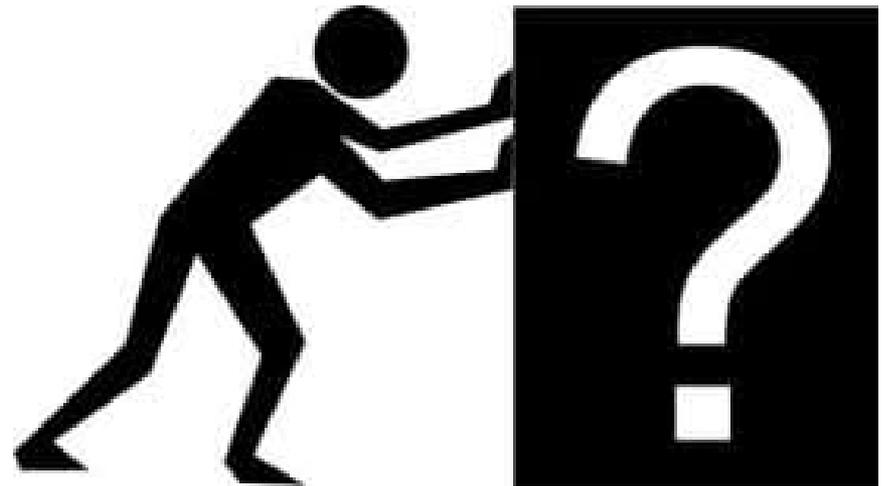
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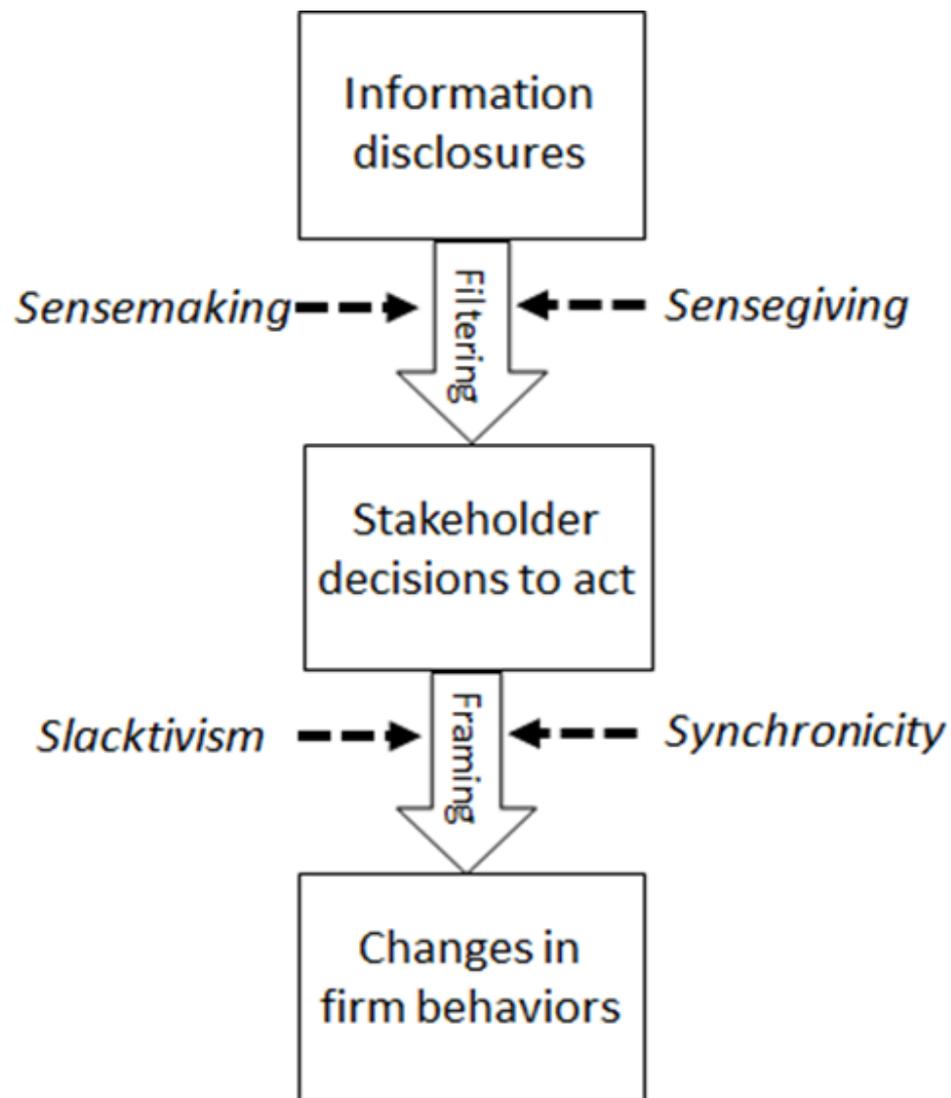


- ▶ “The term comes from “AstroTurf,” which is a brand of synthetic carpeting designed to look like natural grass but is in fact fake grass (generally used for sports fields).” (Cho, et al, 2013)
- ▶ Now applied to “grassroots organizations” financed by corporations.

# How and when do stakeholders influence firms in the digital age?

- ▶ We argue that stakeholder influence has actually **stalled** in the digital age
  - ▶ Even secondary stakeholders may now directly and cheaply voice concerns
  - ▶ But on average, individual stakeholders are not more likely to affect firm behavior
  - ▶ In the aggregate, firms have retained, if not gained, discretion





## Distinguishing bark from bite

WE ACCOUNT FOR  
COGNITIVE PROCESS  
INVOLVED IN  
STAKEHOLDERS  
ALTERING FIRM  
BEHAVIOR



# Filtering under information overload

- ▶ When overwhelmed:
  - ▶ One's field of vision narrows
  - ▶ Use heuristics to simplify
  - ▶ Rely on what you already know
  - ▶ Seek information that confirms prior beliefs
- ▶ Such simplification and automaticity renders viewpoints more inertial
  - ▶ Despite access to more information, likelihood of altering views decreases
    - ▶ Exposure to counter-evidence can reinforce biases



# Framing

- ▶ To create change, must frame issue in way that will attract supporters
- ▶ Harder to break one's established frame in digital age, so harder to gain supporters
- ▶ Even when gaining supporters, many substitute "slacktivism" for action
  - ▶ Token displays like "likes" replace substance
- ▶ Synchronizing efforts also harder
  - ▶ Cheap to act, but amidst such easy communication, harder to hold unified voice
  - ▶ Also face pushback from firms, government

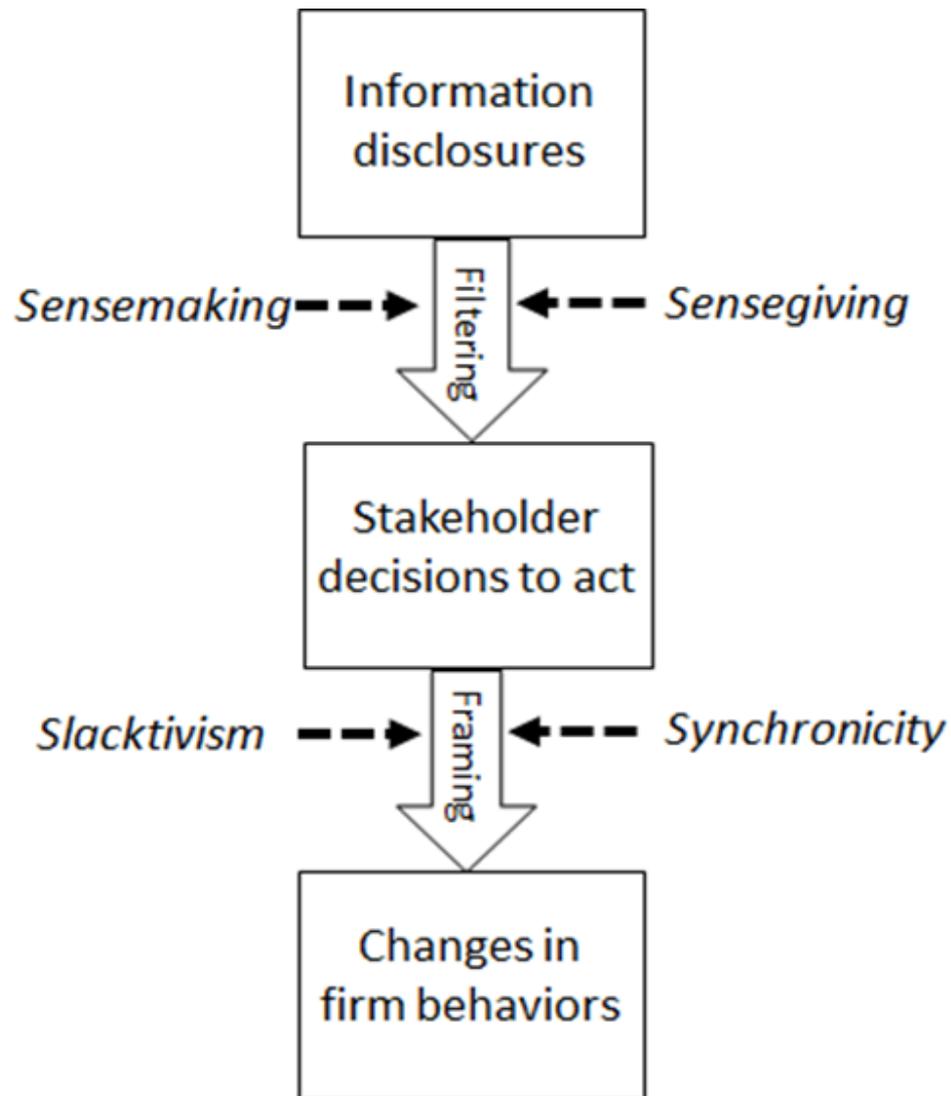


# Sensemaking & sensegiving

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- ▶ Much information now filtered by infomediaries like Facebook, Google
  - ▶ Use algorithms, create “filter bubbles”
  - ▶ Less likely to see information that is counter to one’s interests or identity
- ▶ Firms have easier time engaging in sensegiving to provide counternarrative
  - ▶ Can pay for targeted access to info channels
  - ▶ Can disguise themselves (“astroturfing”)
- ▶ Combine to retard efforts to change existing firm-stakeholder relations



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# Filtering: Pre- and post-digital age

<b>Pre-digital activity</b>	<b>Post-digital activity</b>	<b>Aggregate impact</b>
Reliance on professional gatekeepers to curate across limited, broad social media sources	Unfiltered information flows across myriad narrow media sources	Personal biases shape stakeholder media diet, reinforcing these biases



# Framing: Pre- and post-digital age

Pre-digital activity	Post-digital activity	Aggregate impact
Power, especially for secondary stakeholders - function of ability to frame issue in ways that resonate	Digital media have unleashed a torrent of personalized frames on issues	Established frames harder to break, which insulates firm-stakeholder relations from change



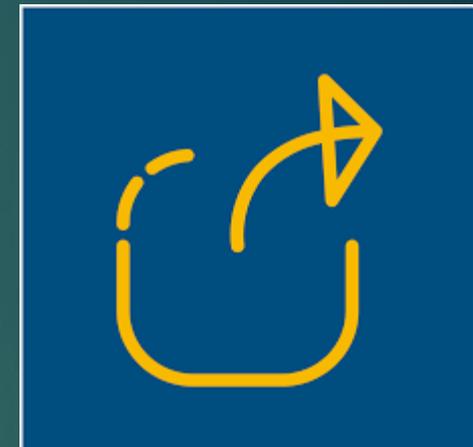
# Sensemaking: Pre- and post-digital age

Pre-digital activity	Post-digital activity	Aggregate impact
Stakeholders interpret Info. in relation to their economic interests and social identity	Media fragmentation, selective exposure limit likelihood of confronting interest- & identity-inconsistent Info.	Extremes of information exposure produce threat-rigidity response or backlash, further reinforcing stakeholder's established view



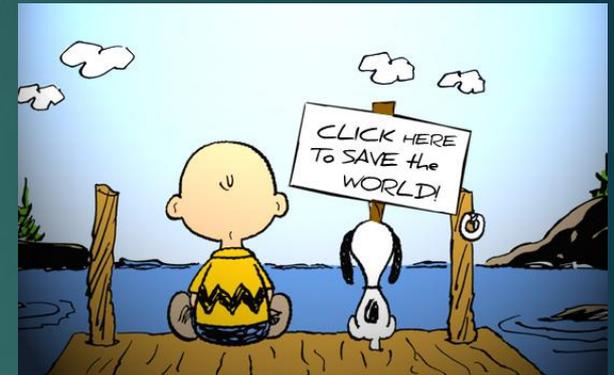
# Sensegiving: Pre- and post-digital age

Pre-digital activity	Post-digital activity	Aggregate impact
Public relations efforts help firms to shape the narrative when managing crises	Anonymity of internet allows firms to covertly engage in counter-movements, disguised as stakeholders.	Where successful, astroturfing further retards change in firm-stakeholder relations; where unsuccessful, undermines credibility of counter-movements



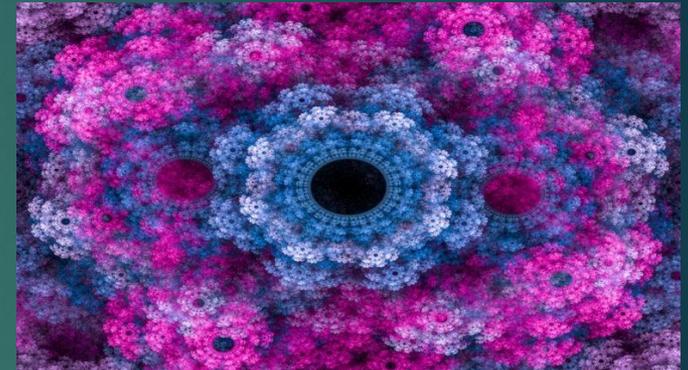
# Slacktivism: Pre- and post-digital age

Pre-digital activity	Post-digital activity	Aggregate impact
Stakeholders who support a movement free-ride on efforts of others if costs of action deemed too high	Costs of demonstrating support for a movement fall to nearly zero.	Slacktivism, or token displays of support, now common, allowing firms to weather many social media firestorms.



# Synchronicity: Pre- & post-digital age

Pre-digital activity	Post-digital activity	Aggregate impact
Political organizations generate commitment, coherence & persistence of voice & action to demand change (e.g. NGOs)	Nearly costless to mobilize; many people can organize large movements through social media	Volume of customized efforts to act on various issues makes coherence, unity of purpose, persistence hard to achieve





## **Focus on change in stakeholder relations, not on power level of one side or the other**

-Under what conditions do stakeholder evaluations converge?

## **How does social media stiffen and break frames, not just provide info?**

-Sensemaking and sensegiving in the digital age

## **How to deal with “fake news”, “astroturfing”, biases, and lock-in?**

-Increase exposure to alternatives, while lessening risk of spreading false information

## **How do firms use this discretion?**

-Positive or negative effect on CSR activities?

-Need for formal regulation to keep firms in line?

# Summary

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- ▶ In digital age, info flows freely & costs of stakeholder action have approached zero
- ▶ Stakeholder influence would seem to increase drastically as a result
- ▶ Yet, accounting for cognitive processes, we see that while even secondary stakeholders now have a voice, resulting cacophony provides firms cover to maintain or even increase discretion
  - ▶ *Stakeholder influence has stalled, not snowballed.*

