



An Essay by

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CEO Engagement in the political arena: Advice for CPR decision-makers

Corporate Political Responsibility (CPR), the rising engagement of CEOs in politics, raises significant concerns regarding how it affects businesses, policies, and society. Through financial contributions and lobbying, CEOs have strong influence on policymakers, influencing decisions that serve their interests. There are issues related to this participation, including conflicts of interest and reputational harm, while it can also improve reputation and provide regulatory benefits. This essay argues that CEOs should support their company's goals, actively engage in political discourse, and give policy preference over politics. The Erb Principles for CPR provide direction by stressing legitimacy, accountability, responsibility, and transparency. It is suggested to make use of interactive virtual platforms and storytelling campaigns to humanize political participation, create trust, and enhance policy comprehension. Implementing these strategies carefully and strategically is essential for successful CEO political engagement.

Should CEOs be involved in politics? The involvement of CEOs in politics has increased over the years (CEO Involvement in Politics, 2023). Corporate leaders stand up for the interests of their industries and build policies that affect their businesses, mostly to prevent the distancing of customers. This engagement of businesses in politics and their responsibility towards it is referred to as Corporate Political Responsibility (CPR) (Lyon & Doty, 2023). In essence, businesses exist to make profit (Grant, 2022). That is why the rising prominence of CEO involvement in politics has created public debate about the influence it has on policies (Babenko et al., 2021). While faith in community institutions keeps declining and pressures on businesses continue to grow, the question remains whether business leaders should engage in political issues (Marquis, 2023). And more importantly, how can this be done? Still, it is likely that the involvement of CEOs in politics will keep rising since companies acknowledge the importance of social and political issues (CEO Involvement in Politics, 2023). This essay delves deeper into CPR and its implications. Eventually, recommendations for businesses regarding political involvement are provided.

People involved in politics, such as ministers, legislators, and presidents, have power when governmental policies are concerned (Thomson, 2022). This means that they can introduce regulations, implement new laws, and impose fines, among other activities. In this regard, companies are powerful participants in politics as they can make a powerful impact on politics and global decision-making (Lyon & Doty, 2023). Business leaders are often rational thinkers and influence those laws and regulations, public views, and government concerns (Lyon & Doty, 2023; Wolf, 2022). According to Lyon and Doty (2023), they have this impact due to lobbying, coalitions, and issuing statements. For instance, CEOs can shape policies favourable to their business, defend their own sector, and enhance their customer loyalty and brand reputation (CEO Involvement in Politics, 2023). In fact, politics play a pivotal role in reputation management. Failing to manage political engagement could even have negative consequences, such as reputational damage (Thomson, 2022). On the other hand, having strong political relationships decreases the danger of intervention from regulators and policymakers.



Next to their regulatory influences, companies contribute to politics by means of money (Lyon & Doty, 2023). Because of the influence businesses have, they could play a role in empowering sustainability. Companies help solve important world problems such as climate change and poverty. However, they cannot contribute fully to the solution if they are not involved in political activities. In fact, poor development and implementation of industrial policies are often caused by the absence of organized national institutions (Grant, 2022). This is one of the reasons why CEOs should be involved in politics. In terms of CPR, the idea is that businesses focus on the alignment of their communication and actions with their own obligations, as well as being responsible for society (Marquis, 2023). On a critical note, it also has various downsides as political involvement could backfire and result in criticism from stakeholders and conflicts of interest (CEO Involvement in Politics, 2023). Moreover, as mentioned, a strong focus is often placed on the short-term perspectives of the company, such as making profit and getting involved in ESG issues could lead to companies being distracted from their actual goals (Grant, 2022). These risks need to be considered by CEOs when deciding on political activities.

Still, due to the necessity of government support for obtaining economic benefits, political connections can positively influence company performance (Amin & Cumming, 2023). Research has proven that corporate political connections create regulatory benefits for companies because of their influence on the political process (Cao et al., 2021). Besides, based on resource dependency theory, it can be stated that political connections help companies attain and secure key resources. Consequently, powerful, independent CEOs can take advantage of their position and use it to seek personal benefits (Amin & Cumming, 2023; Babenko et al., 2021). Companies benefiting financially through political involvement may raise the need for transparency and lobbying to maintain integrity (Cao et al., 2021). Yet, it should be mentioned that business objectives have become more complicated due to the increasing importance of environmental, social, and governance (ESG) concerns. That is why the ability to carefully make collective decisions as CEO should be strengthened (Wolf, 2022).

Considering the mentioned implications of CPR, the engagement of CEOs in politics is beneficial for businesses and society if the potential risks are considered carefully. Therefore, the focus should be on policies, not on politics. Businesses need to work on improving fundamental systems and contribute to the growth of society (Marquis, 2023). Doing so helps businesses to campaign based on high-quality ideas, avoid worries about taking advantage of funding, and reduce reputational risks. An effective way for CEOs to get involved in the political arena while avoiding possible negative consequences is through active engagement and participation in political discussion (CEO Involvement in Politics, 2023) and providing the public with information to show that they represent the interests of citizens (Marquis, 2023). Through policymaking initiatives and lobbying, policymaking can be influenced. CEOs can advocate for policies that are aligned with the goals of the company. According to Hacker and Aberbach (1962), public relations (PR) impact the type of laws that are implemented because PR campaigns can build for certain regulations and therefore influence the public's behaviour. Thus, because of the influence of CEOs on policies, CEO activism could be useful for navigating social change (CEO Involvement in Politics, 2023; Quantified, 2020).



A useful guide for companies when engaging in politics are the Erb Principles for CPR, developed by the Corporate Political Responsibility Taskforce (CPRT) of the Erb Institute at the University of Michigan (Lyon & Doty, 2023). These principles are based on four core values: accountability, responsibility, transparency, and legitimacy. They serve as an independent, actionable tool that could help businesses in their decision-making regarding political engagement. On that note, storytelling campaigns based on ethical decision-making could be a way to show a company's integrity and commitment to these values. Through storytelling, the company's involvement in politics is humanized and therefore more relatable and inspiring. The public is also able to connect emotionally with the company and align with its values. Authenticity and building trust play crucial roles in this regard (Quantified, 2020). Companies need to specifically communicate with its audience what their values are and what these values mean for the company and, more importantly, the community. It also needs to be communicated what the company's interests are when getting involved in politics.

Another approach that could be taken is to use interactive virtual platforms to enhance policy understanding. Through platforms or apps, complex policies can be simplified for the public, and policy education can be made interactive and enjoyable by using gamification and multimedia. As a result, awareness could be raised on significant social issues if these platforms are used, while building their reputations at the same time (Quantified, 2020). Consequently, the political landscape can be formed because of the impacts on public opinions (CEO Involvement in Politics, 2023). In this regard, personalized, active language needs to be used to create an extensive understanding of involvement in politics (Quantified, 2020). Young employees play an important role in this because they are more likely to bring perspectives as citizens and they are the ones who will benefit in the long-term (Marquis, 2023). These perspectives are important to maintain honesty and be critical about the issues concerned. That is why businesses should consider involving younger generations in their process of political engagement. Consumers are then more likely to stop seeking reasons to question the motives of the company, and more trust is created (Quantified, 2020). For that reason, such CEO activism and communication practices need to be considered strategically and carefully.

In conclusion, Corporate Political Responsibility (CPR) evolves around the growing engagement of CEOs in politics. It looks at the influence CEOs can have on laws by forming alliances, lobbying, and making public remarks. However, it comes with problems such as conflicts of interest and reputational harm but also acknowledges potential positives, including improving reputation and influencing favourable policies. Research demonstrates that business political ties can result in regulatory benefits, underscoring the need for government support for economic benefits. The essay advocates for CEOs to actively participate in political discourse and support policies that are consistent with their company's objectives, suggesting that policies should have preference over politics. Companies are offered the Erb Principles for CPR as a guide, with a focus on legitimacy, accountability, responsibility, and transparency. Interactive virtual platforms and storytelling campaigns can be used as tactics to humanize a company's political engagement, foster trust, and improve policy understanding. Applying these practices could be a useful tool to improve the political involvement of CEOs.



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