

Corporate Controversies

Who holds companies responsible for misconduct?

(Corporate misconduct is defined as intentional or negligent failure to abide by standards of conduct.)

Description of the Survey...

Are companies held responsible for misconduct? Do consumers still support companies following a controversy? To answer these critical questions, a survey will be conducted asking participants their reactions to different types of corporate controversies. The types of controversies have been narrowed down to seven. Each controversy has an example of companies that have recently been accused of committing that type of misconduct. To see if consumers are holding companies accountable, we will ask the survey participant if they have no reaction to the misconduct, if they would reduce the number of purchases they make from that company, completely stop buying from the company, stop using or wearing products that they already own from that company, post negative comments about the incident or company on social media, encourage others to stop doing business with the company, and/or call for legislative action. We will also examine whether the company's stock price was negatively impacted by the controversy (assuming it is a publicly traded company) will also be taken into consideration to determine how the public responds to various types of controversies. Participants will also answer a few demographic questions at the beginning of the survey; age, race, gender, religion, and annual income.

Tax Evasion or Fraud

Apple

In 2016, the European Commission announced that Apple had €13 billion in unpaid taxes in Ireland. Apple ended up winning the lawsuit because the European Commission failed to show "to the requisite legal standard" that Ireland's tax deal broke state-aid law by giving Apple an unfair advantage. Based on Apple's stock prices in 2016, the accusation of tax evasion did not have any affect on their finances.

Environmental Compliance

Volkswagen

The EPA issued a Notice of Violation of the Clean Air Act to Volkswagen in September 2015. Volkswagen installed software in model year 2009 – 2015 2.0 liter diesel cars that allows the cars to meet the EPA emissions standards. It was later found that the affected cars emitted 40 times the emissions that the Clean Air Act allowed. Volkswagen's stock price dropped about \$2.50 from September 1, 2015 to December 31, 2015. It is hard to tell if this drop in price is normal fluctuation or a reaction to the misconduct.

Sexual Misconduct

CNN

In early February 2022, Jeff Zucker, former CNN President and chairman of WarnerMedia, resigned after his consensual relationship with a subordinate surfaced. Because it was consensual, Zucker was not punished for participating in the relationship. He failed to disclose the relationship to the organization. Zucker and his partner should have disclosed their relationship when Zucker was promoted. Most employees are said to keep their workplace romantic relationships a secret.

Discriminatory Hiring/Promotion Practices

NFL

Brian Flores, former head coach for Miami Dolphins, was fired after 3 years in January 2022. He planned to interview with the Giants for their open head coach position. Before he was even interviewed, Brian received a text that was sent to the wrong person. The message congratulated Brian on the head coaching position that he had not interviewed for and did not receive. Brian believes the Giants only planned to interview him because they are required to consider one minority for head coaching positions, and they had already made their decision on a person that was not a minority.

Child Labor/Forced Labor

Samsung

Samsung, among other major technology companies, was accused of participating in forced-labor in China. Samsung's supplier, Universal Electronics Inc., transferred at least 400 Uyghur workers to their manufacturing plant as a part of the worker transfer agreement with the Chinese government. This agreement was brought to light in late 2021.

Poor Working Conditions

Tyson Foods

In 2016, Tyson Foods was charged a \$236,498 fine by OSHA for unsafe working conditions. An employee at Tyson cut off a finger on an uncovered conveyor belt which led OSHA to investigate the Texas facility. Tyson had 2 reoccurring violations and 15 more serious violations. Employees began coming forward with the impossible standards set by the company including processing up to 45 birds a minute. This speed and repetitive motion create several health problems for the employee. Tyson's stock price remained consistent and reasonable throughout the calendar year.

Political Controversy

MyPillow

Mike Lindell, MyPillow's CEO, is an open supporter of former President Trump. In January 2021, after he made statements regarding claims of election fraud, many stores including Bed Bath & Beyond and Kohl's dropped MyPillow as a supplier. Lindell suspects that these stores dropped the company because of his political beliefs, but these stores claim there was a drop in demand for his products. MyPillow is a privately owned company meaning there is no access available to financial information to see the impact made on the company.

Political Controversy

Nike

In September 2018, Nike released an ad starring Colin Kaepernick. Kaepernick started kneeling for the National Anthem in 2016 in order to raise awareness for racial injustice and police brutality. Many Americans did not approve the behavior of Kaepernick. Nike then endorsing Kaepernick did not please those same Americans. While many people called for a protest against Nike, their stock price remained constant with very little fluctuation following the release of the ad.

Once the Survey is Complete...

In the examples of corporate controversy provided above, most companies were minimally affected by the publicity of their misconduct or alleged misconduct. So, are these companies being held accountable for their actions? Do only certain demographics care about the controversy? Is that demographic not large enough to impact the financial health of the company? These are all questions that will be answered once the survey is completed. The data will be analyzed to see what which demographics influence which reaction or if there is any correlation at all. It is suspected that the demographics questioned in the survey (age, race, gender, religion, and annual income) will have an impact on how individuals react to certain types of corporate controversy. Certain age groups may care more about environmental compliance and a specific gender may care more about sexual misconduct. One important question that cannot be answered through the survey results is what can we do as consumers to ensure that companies are upholding standards?