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WHY DO COMPANIES GO WOKE?

Abstract: “Woke” companies are those that are committed to socially progressive causes, with a particular focus on diversity, equity, and inclusion as these terms are understood through the lens of critical theory. There is little evidence of systematic support for woke ideas among executives and the population at large, and going woke does not appear to improve company performance. Why, then are so many firms embracing woke policies and attitudes? We suggest that going woke is an emergent strategy that is largely shaped by middle managers rather than owners, top managers, or employees. We build on theories from agency theory, institutional theory, and intra-organizational ecology to argue that wokeness arises from middle managers and support personnel using their delegated responsibility and specialist status to engage in woke internal advocacy, which may increase their influence and job security. Broader social and cultural trends tend to reinforce this process. We discuss implications for organizational behavior and performance including perceived corporate hypocrisy (“woke-washing”), the potential loss of creativity from restricting viewpoint diversity, and the need for companies to keep up with a constantly changing cultural landscape.

Keywords: DEI, diversity, social responsibility, strategic change, organizational structure
INTRODUCTION

On August 27, 2016, NFL.com reporter Steve Wyche broke the story that San Francisco 49ers quarterback Colin Kaepernick had kneeled during the playing of the U.S. national anthem in a preseason game against the Green Bay Packers (Walker, 2017). Kaepernick’s example, meant to protest alleged police brutality, caught on as other NFL players and professional athletes in other sports engaged in this silent protest. A 2018 Nike ad featured Kaepernick with the text, “Believe in something. Even if it means sacrificing everything.”

*New York Times* columnist Ross Douthat coined the term “woke capitalism” to describe Nike’s response to Kaepernick’s activism (Douthat, 2018). Woke capitalism describes a system in which large corporations (and supporting institutions such as government agencies, the military, nonprofits, and the like) embrace progressive, politically left-wing practices, language, and imagery (see also Wright, 2022). A “woke company” or “woke corporation” is a company that supports “woke” ideologies and causes not only through internal practices—prioritizing Diversity, Equality, and Inclusion (DEI) in hiring and promotion, sourcing from sustainable or diverse suppliers, and donating to socially progressive causes—but also in branding, marketing, and nonmarket strategies.

Today, woke causes enjoy support from large swaths of the business community (with a bias towards large firms and firms in tech, entertainment, and media). For example, in July 2020 nearly a thousand companies including Verizon, Coca-Cola, Unilever, Lego, Microsoft, CVS, Target, and Chipotle pulled their ads from Facebook to protest the social network’s refusal to

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1 Nike followed up by launching a shoe featuring the (allegedly) first version of the US flag, the so-called Betsy Ross; the shoe was pulled from the market after Kaepernick informed Nike he associated the flag with slavery. The decision gave rise to heated discussion among the public as well as the business community and policy circles, reflecting a deep divide on issues related to hot-button issues such as race and power. Some consumers burned their Nikes in protest, but the company’s revenues increased.
remove a post by then-President Donald Trump. Facebook said the post (“When the looting
starts, the shooting starts”) did not violate its community guidelines. That same year, most major
corporations (as well as universities, professional sports leagues, and other institutions)
announced support for the Black Lives Matter movement. Every June, dozens of Fortune 500
companies change their social media logos to incorporate a version of the Pride flag—a practice
so ubiquitous it gives rise to complaints of “rainbow washing” or “pink washing,” a
performative, insincere embrace of LGBTQ+ causes (Vredenburg et al., 2020; Zheng, 2021;
Ritson, 2022).

Management scholarship has not yet focused on the intellectual origins of the woke
movement, how it differs from previous attempts at increasing diversity, and why so many
companies are embracing wokeness. First, as we discuss below, while the phenomenon of woke
corporations\(^\text{2}\) shares some features with previous movements by firms to achieve broader social
aims such as the use of affirmative action in hiring and promotion (Dobbin, 2009), the embrace
of corporate social responsibility (Carroll, 2008), and the adoption of stakeholder governance
(Friedman & Miles, 2002), the woke movement has different historical and intellectual
foundations than those earlier practices. Ultimately, woke ideas and behaviors are grounded in
“critical theory” (Lindsay & Pluckrose, 2020; Delgado & Stefancic, 2021), the philosophical
movement that emerged from the Frankfurt School of philosophy and from French postmodernist
thinking. In its current incarnation, critical theory prioritizes subjective personal experience over

\(^2\) We talk about “woke corporations” and “woke companies” rather than “woke capitalism” because the former is
more precise and our unit of analysis is the business firm. One could speak of “woke capitalism” in the sense of a
woke commercial ecosystem which would include all the various actors that meet the demand for knowledge about
socially progressive causes in the business community and help turn that knowledge into company action (e.g., in
terms of hiring and promotion actions, advertising and so on). Thus, “anti-racist” authors and consultants such as
Robin DiAngelo and Ibram X. Kendi, who have become main flagbearers in the $8 billion per year corporate
diversity training industry (see Bohnet, 2017), can also be considered part of woke capitalism. Analyzing the
complete ecosystem is beyond the aims of this paper.
objective data, emphases group identity over individual characteristics, sees most social relations through an oppressor-victim lens, and conceptualizes racism and sexism in terms of structural inequalities rather than personal prejudice.³

Second, the rapid adoption of wokeness over the last decade warrants investigation. If corporate wokeness is simply a reflection of a rapid change in social and cultural mores, then why are firms embracing it so quickly, when they often adapt slowly to (other) exogenous shocks (Rumelt, 1995; Sydow et al., 2009; Klein et al., 2019)? Why is wokeness more heavily concentrated in industries like entertainment, technology, and retail—and are woke business practices mainly a reflection of changing values in society or is wokeness helping to drive social and cultural change? From a corporate strategy perspective, one can ask if embracing woke causes improves financial performance. If woke corporations are well placed to seize new business opportunities, if woke signaling attracts high-valued employees, or if woke DEI policies improve the internal workings of the corporation, then the embrace of woke ideas and practices is simply another potentially productivity- or efficiency-enhancing phenomenon such as outsourcing, internationalization, employee empowerment, the lean startup, the adoption of AI, and many others. More generally, while the woke corporation is attracting increasing interest among management scholars and other social scientists (e.g., Fan, 2019; Foss & Klein, 2022; Rhodes, 2021; Rizzi, 2021; Sailofsky, 2021; Vredenburg et al., 2020; Warren, 2022; Wright, 2022), a general framework for analyzing the causes and consequences of corporate wokeness has yet to appear.

³ Warren (2022) suggests the more neutral term “Corporate Social Initiatives,” arguing that “woke” has a negative (stigmatizing) connotation. While “woke” is sometimes used ironically to criticize these initiatives, it has become the standard label in conventional in popular discourse. Proponents of “woke” ideas often happily embrace the label (e.g., Hunt, 2000), which, of course, also has a prehistory in the civil rights movements. We use “woke” as a neutral term to describe the phenomenon described in the paper.
We argue that internal organization is a key factor for understanding why companies are going woke. There is some work on the role of top managers in adopting woke stances (Asare, 2019; Just Capital, 2021; Kaufman, 2021). However, initiatives may also emerge at lower levels in the organization (cf. Woolridge & Floyd, 1990; Burgelman, 1994), such as the HR department, other high- and lower-level middle-managers, and among employees in various functions, including support functions such as marketing and communications. Thus, going woke can also be an emergent strategy that is largely shaped by lower-level initiative (Burgelman, 1983; Mintzberg & Waters, 1985).

We suggest that middle managers have played a critical role in promoting corporate wokeness because they have been particularly likely to possess the ability, opportunity, and motivation to do so. First, executives may delegate initiative related to woke causes to middle managers, not only because executives usually lack expertise, but also as a form of “insurance” against claims they are insufficiently committed to wokeness. Second, middle-managers may push woke agendas that increase their authority or span of control (Pfeffer & Fong, 2005), for example by positioning DEI initiatives as natural HR functions that are essential to managing a division or a function. Third, middle managers may also call out “woke-washing” (i.e., claims that the firm is supporting progressive causes externally but not taking them seriously internally), thus contributing to the creation of a woke internal culture, which again may be beneficial for instrumental as well as normative reasons, but also bolsters the internal power of these managers.

Underlying our claims is a basic framework that combines intra-organizational ecology (March, 1994; Løvas & Ghoshal, 2000), agency theory (Jensen & Meckling, 1992; Aghion & Tirole, 1997), and institutional theory (Scott, 1995): Variation (i.e., new woke initiatives) is created at lower levels of the organization by middle managers and employees, partly for
instrumental reasons (e.g., to expand the actor’s influence or status) and partly for normative reasons (i.e., a genuine commitment to the ideas). Top managers are likely to rubber-stamp such bottom-up proposals (Aghion & Tirole, 1997), because they lack expertise, to reduce their employment risk in increasingly competitive managerial labor markets, and because they may benefit from multiple measures of their job performance which may be a cover for managerial moral hazard. We draw on institutional theory to argue that the sources of variation as well as the criteria of selection in intra-organizational evolution are partly external to the organization and that outside cultural forces may affect internal positions of power and influence. Thus, external pressure for woke initiatives such as diversity programs is a complement to, not a substitute for, internal advocacy.

GOING WOKE: INCIDENCE AND MOTIVES

Corporations have had “affirmative action” and similar programs to attract and retain employees from underrepresented groups for several decades (Dobbin, 2009), building on the Civil Rights movement of the 1950s and 1960s. The 1980s anti-apartheid movement garnered substantial business support (Williamson, 2021). However, the explosion of Interest in DEI programs, including “anti-racism” initiatives, is more recent. As noted above, DEI initiatives based on woke intellectual ideas differ from previous affirmative action–type programs in that they redefine concepts like racism and sexism to refer, not the preferences and actions of individuals, but to “structural” features of society that cannot be fixed by punishing overtly racist or sexist acts or by persuading people in power not to make racial or gendered distinctions.4

4 A succinct example of this transformation is the Anti-Defamation League in 2020 changing its definition of racism from “the belief that a particular race is superior or inferior to another, that a person’s social and moral traits are predetermined by his or her inborn biological characteristics” to “the marginalization and/or oppression of people of color based on a socially constructed racial hierarchy that privileges white people.”
The woke worldview is based on ideas from critical theory, an amalgam of the ideas of the “Frankfurt school” associated with thinkers such as Theodor Adorno, Herbert Marcuse, and Jürgen Habermas and mostly French post-modernist writers like Michel Foucault. The ideas of these thinkers, all ultimately rooted in Marxism, were developed in a mostly US academic context into Gender Theory, Critical Race Theory, intersectionality theory, and related viewpoints that underlie wokeism as an intellectual movement (Wright, 2022). The main tenet of this movement is the primacy of subjective, “lived experience” over logical argument and data, a stance ultimately rooted in the epistemological position that all knowledge is positional (i.e., truth claims are assessed relative to the power and social position of the person making the claim). In terms of explanation of social phenomena, wokeism puts the emphasis on group characteristics and power conferred by social structures rather than individual behavior and responsibility and sees most social relations in terms of a victim-oppressor dynamic. Like the foundational thinkers in critical theory, wokeism is radically egalitarian and moralizing and usually manifests itself politically as left-wing activism, calling for “deconstructing” established beliefs and systems to bring about a new social order.

DEI informed by such ideas is thus more than an attempt to create a more diverse workforce or a flatter pay structure inside companies, as was sought by the earlier affirmative action movements. DEI initiatives seek to change how people interact, to reduce the power of ostensibly privileged groups, to “center” the ideas and activities of marginalized groups, and so on. This makes it part of the broader woke movement that supports radical, structural social and economic change including reparations, breaking down traditional social structures, and even
replacing capitalism itself with some form of socialism.⁵ Many DEI programs are directly grounded in controversial philosophical foundations such as Critical Race Theory (Pluckrose & Lindsay, 2021) although often defended in more anodyne terms about increasing the participation of underrepresented groups (e.g., Smith, 2021).

**How Many Companies Are Going Woke?**

DEI activities are the most visible indicators of a firm’s commitment to woke ideas and practices. Precise figures on corporate spending on DEI are unavailable but one widely circulated estimate has US companies spending $9.3 billion on programs in 2022, projected to rise to $15.4 billion by 2026.⁶ Rufo (2022) reports that every firm in the Fortune 100 has a formal DEI program in place, illustrating the spread of such initiatives across industries and regions. Data from LinkedIn suggest a 71% increase in management roles related to diversity from 2017 to 2021 (Schifter, 2021). After the death of George Floyd in 2020, Walmart pledged $100 million to establish a Center for Racial Equity while Google helped organize the Fifteen Percent Pledge in which large retailers including Macy’s, Nordstrom, Crate and Barrel, Old Navy, and Ulta promise to source 15% of their products from Black-owned suppliers. Most of the major US tech companies have pledged millions of dollars to racial justice charities such as Black Lives Matter. In April 2021 more than 100 global companies signed an open letter in the *Washington Post*, organized by the Black Economic Alliance, objecting to changes in Georgia’s voting-rights laws.

Issues related to sexual orientation and identity are an increasing part of conversations on DEI. In March 2022, in response to public debates on bathroom use and sports participation by

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⁵ As author Ibram X. Kendi put it in a 2019 interview, “in order to truly be antiracist, you also have to truly be anti-capitalist” (Democracy Now, 2019).

transgender persons, more than 200 large corporations in sectors including technology (Apple, Amazon, Dell, Google, HP, Microsoft, PayPal, SAP, Uber), financial services (Capital One, Citigroup, Wells Fargo), manufacturing (3M, General Motors), entertainment (Disney), retail (Johnson & Johnson, Nike, PepsiCo, Target), and transportation (American Airlines, United Airlines) signed a statement condemning proposed laws in various U.S. states “that single out LGBTQ individuals—many specifically targeting transgender youth—for exclusion or differential treatment,” adding that “[l]aws that would affect access to medical care for transgender people, parental rights, social and family services, student sports, or access to public facilities such as restrooms, unnecessarily and uncharitably single out already marginalized groups for additional disadvantage” (Berg-Brousseau, 2022).

Why Go Woke?

As noted above, despite its salience in management practice and in popular culture, the phenomenon of firms going woke has not yet received much attention in the management research literature. We suggest that existing management theories can shed light on the antecedents and consequences of wokeness. We are particularly interested in the motives for going woke. “Firms going woke” is, of course, shorthand for decisions taken by different actors at various levels, not only within corporate hierarchy but also among firms’ stakeholders. Theories of organization, strategy, and governance are thus essential to understanding the emergence and diffusion of corporate wokeism.

To frame the discussion, consider the parallel discussion of reasons for firms to adopt CSR, ESG, or a broad stakeholder model. As mentioned earlier, these literatures have different intellectual origins than the woke movement and deal with a different set of policies and
outcomes, though there are some overlaps. The comparison is still useful, however, because wokeism and the embrace of CSR and stakeholder models follow similar patterns of emergence and diffusion. Both sets of literatures can also be analyzed using similar frameworks, such as distinguishing normative from instrumental motives for adoption and asking whether the firm actually adopts the workplace practice in question or simply claims to adopt it as a form of symbolic action or strategic signaling to external stakeholders.

**Instrumental and normative motives.** Instrumental CSR or stakeholder approaches describe firms as stating publicly their commitments to CSR or the values and wellbeing of a broad set of stakeholders, not because corporate decision-makers value these things, but because they believe these statements can improve financial performance (Bettinazzi & Feldman, 2020; Choi & Wang, 2009; Henisz et al., 2014; Hillman & Keim, 2001). Such improvement can arise from attracting better workers or suppliers (Barney, 2018), accommodating or staving off government regulation or public boycott (Detomasi, 2008; Schrempf-Stirling et al., 2013), appealing to customers who value the same goals (Baron, 2008; Siegel & Vitaliano, 2007), or attracting particular investors (Maldonado-Bautista et al., 2021). Embracing CSR or stakeholder management may also allow firms to gain or maintain legitimacy in a situation where peer companies are also adopting these practices (Husted et al., 2016; Beddewela & Fairbrass, 2016; Roszkowska-Menkes & Aluchna, 2017). By contrast, normative approaches to CSR and stakeholder governance posit that companies embrace these practices because owners, managers,

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7 The rapid increase in DEI activities, including “anti-racism” initiatives, could be seen as a new interpretation or extension of traditional CSR and stakeholder governance concerns. Both movements emphasize the social, political, and environmental impacts of corporate decisions, are critical of conventional, shareholder-oriented models of capitalism, and are often identified with the political Left. Both sets of concerns can be driven by instrumental and normative motives. Wokeism is unique in two ways, however. As noted above, wokeism is grounded philosophically in critical theory, while CSR and stakeholder governance are not tied to any particular political philosophy. Moreover, wokeism focuses on a specific set of issues: race, gender, sexual orientation and identity, and other characteristics as manifest in an oppressor-victim dynamic (Grasso, Reynolds & Grover, 2020).
employees, or other decision-makers believe them to be true and just (Donaldson & Preston, 1995; Donaldson, 1999).

Using parallel reasoning, we can distinguish instrumental and normative adoption of woke ideology and practice. If workers, customers, suppliers, regulators, and others whose actions affect the value of the firm are woke, then a profit-maximizing firm will be woke, or try to look woke, even if owners or managers are indifferent or even hostile to woke ideology. Some firms may also benefit from a woke orientation if this aligns with the orientations of important stakeholder groups. It’s difficult to say how much corporate wokeness is instrumental in this sense, partly because it is unclear if going woke is good for business—as the dueling expressions “Go Woke, Go Broke” and “Be Woke or Go Broke” suggest (Harinam, 2020). The fact that woke practices are applied inconsistently—for example, companies that embraced the Black Lives Matter movement in 2020 continued to manufacture products and court consumers in China, despite that country’s crackdown on civil rights in Hong Kong and continued persecution of Uyghurs and other ethnic minorities—suggests that wokeness is at least partly instrumental.

Woke practices can also be embraced on purely normative grounds. Firms with important woke stakeholder groups are also likely to be led by owners and top managers who are committed to woke ideas and who my may embrace woke practices (in hiring, public relations, and overall strategy and investment decisions) even if it hurts the bottom line.8 Similarly, middle managers may feel pressured to conform to woke ideals and practices. As discussed below, during the civil rights era, middle managers frequently imposed policies that went beyond what was intended by movement leaders (Dobbin & Kalev, 2013), suggesting that middle managers

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8 Studies of executives’ political affiliations suggest that ideology affects not only the firm’s nonmarket strategy such as lobbying (Unsal et al., 2016) but also its capital structure, levels of R&D and other investments, merger and acquisition policy, and HRM practices (Hutton et al., 2014; Elnahas & Kim, 2017; Gupta et al., 2019).
hold considerable discretion in this area. At the same time, as woke ideals and practices get institutionalized, they may also be constraining, even to those nominally inclined to support them. In this case, middle managers may adopt and conform to these ideals and practices for instrumental reasons (Bernheim, 1994).

**External stakeholders.** The distinction between instrumental and normative motives for adopting woke ideology and practice applies not only to the firm itself, but also to the firm’s various stakeholder groups. For example, it is well-known from the CSR literature that management, workers, and external stakeholders such as investors often hold different CSR orientations. Indeed, research on stakeholder governance highlights divergent interests among stakeholder groups and shows how the strength of different stakeholder claims varies as conditions change (Klein et al., 2019). Hence, stakeholder groups may hold different motivations for adopting woke ideology and practice. This may create tensions and conflict between stakeholder groups, such as when a stakeholder group criticizes a company for engaging in woke-washing.

Much of the attention concerning woke-washing has centered on external stakeholders, in particular consumer activists. One example is critics of Starbucks for praising “communities” while allegedly evading paying taxes in countries like Sweden (Jones, 2019). Although such cases have received much media attention, less is known about the demand for wokeness among firms’ stakeholder groups.

Regarding investors, there is little evidence on the ideological preferences of corporate shareholders (who, after all, constitute a heterogeneous group). A recent study of investor ideology among business angels and venture capitalists found that startups prioritizing a broad set of stakeholder interests had a harder time raising capital than those focused on economic
outcomes and financial performance, but that this relationship was moderated by investor ideology, with left-leaning financiers less concerned about tradeoffs between profitability and broader societal goals (Maldonado-Bautista et al., 2021). Government-affiliated institutional shareholders such as state pension funds have been strong advocates for corporate social justice. Government actors also express demand for woke practices in their roles as customers and regulators. Public procurement contracts increasingly include social-justice objectives (McCrudden, 2007; Hartlapp, 2020).

For these reasons, even corporate executives or board members with little interest in wokeness may find it profitable, or at least prudent, to adopt woke practices or at least to signal to employees, customers, and other stakeholders a commitment to social justice along with efficiency and financial performance. Of course, these practices and signals come with significant risk—in particular, the risk of alienating non-woke customers, investors, and employees. For example, workers are increasingly aware of companies’ stances on social and political issues and take this into consideration in deciding where to work (Roth et al., 2021).

**Internal stakeholders.** While much media discussion of corporate wokeness has focused on external pressure—campaigns on social media, petitions, etc.—pressure can also come from internal stakeholder groups (cf. Dobbin et al., 2011). Thus, when the news broke in 2020 among employees at Penguin Random House Canada that the publishing house would publish Jordan Peterson’s *Beyond Order: 12 More Rules for Life,* some staffers strongly objected. “One staffer, 9 For example, top officials of the California State Retirement System (CalSTRS) recently called for “activist stewardship,” highlighting CalSTRS’s participation in a “Reenergize Exxon” campaign designed to pressure Exxon via its ownership of $300m of Exxon stock not only to increase its commitment to environmental issues but also to combat social issues such as racial, gender, and income inequality (Eccles et al., 2021). Norway’s sovereign wealth fund, the world’s largest, expects its portfolio companies to comply with the U.N. Sustainable Development Goals which emphasize poverty alleviation, gender equality, and similar social justice objectives. The preferences and behaviors of such important institutional investors suggests that woke corporate behavior is partly due to demands from capital suppliers.
who linked their shock directly to their ‘love’ for PRHC’s commitment to diversity and inclusion, told Maclean’s that the Peterson announcement ‘felt like a slap in the face to everything that [the company] had said and had agreed to do just beforehand’ in the wake of George Floyd’s May 25 death under the knee of a Minnesota police officer” (Bethune, 2021).

The book was eventually published. By contrast, a similar walkout that same year by employees at Hachette Book Group imprints Grand Central Publishing and Little, Brown in protest of Grand Central’s decision to publish Woody Allen’s memoir *Apropos of Nothing*—Allen’s son Ronan Farrow, who had written of the actor’s alleged sexual abuse of his daughter Dylan, led the walkout—resulted in Allen’s book being dropped. Plans by Penguin Random House to publish a book by U.S. Supreme Court Justice Amy Coney Barrett resulted in petition with 600 signatures, including 75 by the firm’s own employees, demanding that the book be canceled because of Barrett’s vote in the 2022 *Dobbs* decision on abortion rights (Trachtenberg, 2022).

In sum, the drivers of the woke corporation may be partly internal. This suggests a focus on internal organizational structure and the individuals that populate it. The institutional literature on mimetic isomorphism theorizes how organizations imitate the practices of other organizations, but noticing and implementing new cultural, ideological, and institutional innovations is done by individuals at different hierarchical levels (Dobbin et al., 2011). These

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10 The possibility of normative and instrumental motives for wokeness co-existing within a firm is suggested by the fact that another “employee, far more mindful of PRHC’s commitment to turning a profit, saw the staff anger and anxiety from a different angle: ‘It’s the posturing. The company has profited from its moral stance,’ they said, referring to the number and stature of racialized and other minority authors PRHC has published and also in the way so many people employed there ‘feel an investment in the company, and that it has the same kind of moral standards and the same political standards as they do’” (Bethune, 2021).

11 Schumpeter (1942) argued that feelings of grievance against the capitalist order—paradoxically produced by the success of capitalism—would lead to increasing assault on the capitalist system led by the “intellectual class” in “whose interest it is to work up and organize resentment, to nurse it, to voice it, and to lead it” (Schumpeter, 1942: 160). However, Schumpeter did not foresee the role of managers in transforming the nature of capitalism.
actors may have different motivations, abilities, and opportunities for noticing and implementing these internally. We discuss this at greater length in the next section.

THE ROLE OF INTERNAL ORGANIZATION

Woke Strategy as the Product of Intra-organizational Evolution

We argue that the woke corporation phenomenon cannot be fully understood without paying attention to internal organization, particularly how the firm’s mechanisms for producing variation and selection are organized (March, 1994). Our intra-organizational ecological perspective highlights the production of new woke practices and behaviors, often promoted by middle managers and support staff such as HR and corporate branding personnel with responsibility for DEI and public messaging around social justice issues, and how these personnel are selected and evaluated by top managers. However, both the production of variation in woke practices and the criteria for selecting among these practices are influenced by external forces—not only new ideology and culture, but also pressure from external stakeholder groups. Thus, the making of woke strategies is like strategy formulation in general: strategies emerge over time, often from lower echelons in the organization, rather than always being the result of rational and forward-looking deliberation at the top-management level (e.g., Mintzberg, 1994; Mintzberg and Waters, 1985). Strategic initiatives and criteria for selecting among them are partly shaped by prevailing general cultural and political beliefs. Middle managers play a key role that process.

Middle Managers as Sources of Woke Variation

Classic writings on organizational structure give middle managers operational, not strategic, responsibility (Scott, 1975). Their main function is strategy implementation, monitoring, and control, as well as handling information streams up and down the hierarchy.
“Middle management does things which translate strategies defined at higher levels into actions at operating levels. This involves: (1) defining tactics and developing budgets for achieving a strategy; (2) monitoring the performance of individuals and subunits; and (3) taking corrective action when behavior falls outside expectations” (Floyd & Woodridge, 1994: 48). In a traditionally organized managerial hierarchy, decision-making authority flows from top to bottom, with each layer faithfully implementing commands from above. Senior management defines objectives, sets targets, and engages in strategic sensemaking (Daft & Weick, 1984). Of course, all organizations, even large corporations, have incorporated some degree of delegation, decentralization, and emergent order, seeking the right blend of “market” and “hierarchy” (Foss & Klein, 2022). But the initiation of change at different levels of the corporate hierarchy is usually seen as a means to implement a general directive from the top.

However, middle managers can drive strategic change. As illustrated in the well-known case of the transformation of Intel’s core business from memory chips to processors (Burgelman, 1994), middle managers may have the motivation, ability, and opportunity to formulate and execute strategic change. Similar mechanisms may be at play in the case of the woke corporation.

Note that middle managers have historically played a significant role in the push for companies to embrace concepts of social justice in the workplace and marketplace.12 U.S. companies introduced civil rights and equal opportunity programs in the 1960s, transforming

12 Classic treatments of bureaucracy such as Burnham (1941), Schumpeter (1942), and Mises (1944), attribute the swelling middle-management ranks to a variety of internal and external factors. Mises (1944) points to the role of public policy, in particular restrictions on labor-market practices as well as regulatory compliance, as driving the increase in middle-management functions such as legal departments and public relations offices. The threat of arbitrary antitrust or regulatory activity, he claims, forces firms to become adept at “diplomacy and bribery” (p. 72). Burnham (1941) predicted the takeover of “managers” by which he meant, not entrepreneurial captains of industry, but a class of salaried, technocratic professionals with degrees who were closer to their counterparts in government than to the rugged individualists that headed companies in an earlier age.
them into diversity management programs in the 1980s. Some of these programs were modeled after the “Sullivan Principles,” introduced in 1977 by the Rev. Leon Sullivan as guidelines for U.S. companies doing business in Apartheid South Africa, then broadened into a general set of affirmative action and nondiscrimination programs (and rebranded in 1999 as a United Nations social justice initiative).

From the beginning, “[t]he programs firms adopted, from race relations training to sexual harassment grievance procedures to culture audits, were devised not by Congress or by the executive branch, but by personnel experts keen to expand their purview in the firm” (Dobbin & Kalev, 2013: 253). U.S. civil rights and equal opportunity laws prohibited discrimination based on race or gender but did not specify how firms should accomplish these objectives. Corporate executives hired full-time equal-opportunity experts and tasked them with interpreting and applying the new rules; as Dobbin and Kalev (2013: 254) put it, without guidance from Congress, “personnel experts crafted programs based on weapons in their professional arsenal,” namely detailed written guidelines, formal training procedures and recruitment programs, and similar manifestations of Weberian bureaucracy.

Woke policies appear to follow a similar pattern, in that commitment to DEI as commonly practiced today is not usually a government requirement, but a set of beliefs and practices created by companies (and encouraged by external parties such as the media and the universities). While some managers, executives, and employees may feel constrained in what they can write or say on the job, these constraints are largely internally imposed. Moreover, as with affirmative action policies, responsibility for social justice programs and initiatives was generally delegated downward from the executive suite to lower levels of the organization. Companies generally created specialist bureaus and departments to manage diversity
management programs (Meyer & Scott, 1992: 275), as they did for other aspects of regulatory compliance. Given organizational inertia, these specialist positions became permanent and diversity programs became permanent parts of most company’s hiring, training, and promotion activities.

**How Middle Managers Drive the Change to the Woke Corporation**

Why do top managers support the introduction of woke practices and behaviors by middle managers? We highlight the roles of middle manager delegation, network position, and motivation.\(^{13}\) We argue that these three factors have complementary effects on internal advocacy: delegation confers control (Aghion & Tirole, 1997) over information channels between internal and external networks (Soda et al., 2018), and such control allows middle managers to become entrenched. In the context of woke policies, middle managers have specialized knowledge, may control critical aspects of the firm’s internal and external communications, and are often shielded from effective internal review due to the lack of metrics for woke performance. Embracing wokeness can thus provide authority, job security, and career opportunities.

We use the term “middle manager” to describe salaried managers who hold intermediate positions in the corporate hierarchy, with supervisory responsibilities over employees and subordinate managers in particular operational areas and reporting to general managers at higher levels of the organization. While organizational scholars such as Mintzberg (1983) and Dobbin et al. (2011) distinguish between middle managers and directors of support functions such as HR and advertising (what Mintzberg calls “technostructure”), we include the latter in our definition

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\(^{13}\) These roles correspond to the familiar triad of motivation, opportunity (i.e., network positions), and ability (i.e., delegation) (Kellner, Cafferkey, & Townsend, 2019).
of middle manager because we are interested in the mechanisms by which those with delegated authority who, in principle, are responsible for executing strategic directions from above, can act autonomously as drivers of strategic drift.

In other words, while the HR function may be formally responsible for DEI initiatives such as diversity training, diversity hiring, making sure the company logo features the rainbow colors at the appropriate time, and so on, other forms of middle management are also engaged in managing human resources and their actions will have to reflect DEI and similar concerns. Moreover, initiative in favor of woke internal policies may stem from these line managers as well as from HR. Middle managers in the narrow sense, while ostensibly serving in the conventional brokerage role, are actually creating policy, often in ways that diverge from the preferences of top managers, employees, and customers.

**Delegation.** When faced with new external or internal pressures, particularly on issues for which they lack professional competence or that threaten their identity, executives are often happy to delegate responsibility for such issues to middle managers who can serve as intermediaries between top-level decision-makers and those internal and external stakeholders most directly affected by the issues (Kellogg, 2014). For example, DEI programs generally lie outside the expertise and experience of executives, and they carry the risk of negative publicity from insufficient commitment to social justice. For these reasons, top managers delegate the responsibility for DEI programs to those who profess to have superior knowledge in such programs (Jensen & Meckling, 1992).

The specialist role also allows woke middle managers (as defined above) to assume boundary roles that link the organization’s internal networks with external knowledge and information (Tushman, 1977) about woke cultural, political, and ideological ideas. They can
point to the needs imposed by changing external cultural and ideological norms and the demands of external stakeholders that carry these norms. Fligstein (1987) argues that internal actors may gain resources and power when changes of norms in the external environment become apparent and even pervasive and can be claimed to necessitate internal change. In this sense, corporate wokeness is both a response to exogenous, cultural change and a contributing factor to this change.

Network positions. These arguments suggest that woke middle managers may serve an arbitrage function, being “likely to strive to access, control, and use others’ knowledge and information in a proprietary fashion. In this way, they tend to maximize the acquisition of relevant knowledge and information accessed through their network of contacts, avoid sharing this knowledge and information with others, and try to directly benefit from their integration” (Soda et al., 2018: 899). This makes the woke middle manager more effective in designing and implementing DEI initiatives, public relations campaigns, and similar programs about which both senior managers and employees have little knowledge and expertise.

One mechanism by which middle managers influence strategy is by bringing alternatives to the attention of executives and offering new initiatives for consideration. Another is shaping the perceptions of top managers by presenting and interpreting information in particular ways (Floyd & Woodridge, 1994; Soda et al., 2018). More generally, middle management performs essential brokerage and bridging functions. Brokerage involves both arbitraging information flows between higher and lower levels of the organization and encouraging collaboration among participants in a hierarchical structure (Soda et al., 2018). Bridging consists of using network ties to fill structural holes (Burt, 1992). In both cases, middle managers are helping to shape corporate strategy as well as execute it.
Motivation. Because performance on DEI tasks may be difficult for senior managers, employees, and external stakeholders to measure, a commitment to DEI can be a form of middle-manager entrenchment. While senior managers may seek to entrench themselves via idiosyncratic diversification or acquisition strategies (Amihud & Lev, 1981), middle managers can reduce their employment risk by investing in manager-specific assets Shleifer & Vishny, 1989; Li, 2009). DEI programs can represent this type of manager-specific investment for DEI specialists.

Moreover, to the extent that achieving social-justice objectives represent ill-defined tasks, this vagueness helps intermediaries keep and even enhance their own professional standing. As Kellogg (2014: 916, 926) notes, “managing information rather than transferring it, matching meanings rather than translating them, and maintaining interests rather than transforming them” allows “lower-status [persons to] carve out their own jurisdictions.” One way that woke middle managers maintain control and hierarchical position is by using idiosyncratic vocabulary and constructs (“microaggressions,” “whiteness,” “centering,” “cisgender,” “BIPOC,” etc.) that serve as in-group status markers (Mange, Lepastourel, & Georget, 2009) and make it difficult for outsiders, including top managers, to understand, and hence challenge, woke beliefs, pronouncements, and instructions. Buchter (2021: 21) argues that these ideas are easy to sell internally because they are offered as “free and ready-to-use content and model programs that reflect changes the activists want to see.” She shows “how insider activists used these implementation resources to denounce organizations’ superficial commitments or employees’ homophobic practices, thereby compelling organizations to change” (Buchter, 2021: 21).

While there have been several attempts to construct CSR and ESG scorecards so that performance can be more consistently evaluated across companies, there are yet no attempts to
provide clear and transparent measures of wokeness that woke stakeholder groups could use to assess companies. Instead, commitment to wokeness is highly subjective and largely determined by spontaneous reactions on social media or in the mainstream press. Of course, if wokeness serves as a form of entrenchment, then we would expect woke middle managers to avoid pressing for transparent accountability metrics.

**The Role of Top Managers**

In our framework for analyzing the intra-organizational evolution of the woke corporation, advocacy for new DEI initiatives may be seen as new variation. Models of such evolution typically describe the selection environment as a mix of competition between initiatives and the responsibility of top management to pick among them (March, 1994). Organizational evolution is shaped by the interplay of variety-generating forces and the selection environment while hereditary mechanisms (routines, rules, policies, and culture) preserve the surviving initiatives over time (until they are selected against).

Top managers influence the evolutionary process not only by picking preferred initiatives, but also by shaping the generation of variety at lower levels, what Løvas and Ghoshal (2000) call “guided evolution.” Their model, like most models of intra-organizational evolution, abstracts from the external environment. However, the external environment influences both internal variety generation and selection. Fligstein (1987), Dobbin and Sutton (1998), Dobbin et al. (2011), and other organizational sociologists have stressed how internal advocacy and even fixtures of the business landscape such as the modern HR department are shaped by external changes in prevailing institutions, norms, and ideology. Thus, much of intra-organizational variety-generation can be traced to the external environment. However, the external environment also shapes the process of selecting new internal variation and adopting it as practice or strategy.
While pressure for going woke can come from a variety of internal and external stakeholders, the ultimate decision to accept woke policies (by design or benign neglect) lies with the CEO. Some top executives may genuinely value woke ideas and practices. However, given that public opinion on woke practices is highly divided—survey data suggest roughly half of Americans think there is too much emphasis on “political correctness,” that “cancel culture” is a problem in society, and that universities should not shun controversial speakers (Khazan, 2021)—it seems unlikely that the majority of corporate directors, executives, and senior managers identify with woke ideology.\footnote{There is little direct evidence of how CEOs feel about wokeness. A 2021 poll of US and French businesspeople (described as “business decision-makers” but not precisely defined) found that 61% in the US and 60% in France agreed with the statement, “Do you agree or disagree that certain social science theories, specifically progressive ideas on race, gender, post-colonialism, and 'cancel culture' are undermining society and are not necessary?” (Zogby, 2021).} However, in the face of asymmetric information, non-woke executives will tend to select in favor of new initiatives forwarded by internal woke advocates. Having delegated effective control to lower specialists, executives essentially rubber-stamp these proposals (Aghion & Tirole, 1997).

The external environment reinforces the tendency of executives to accept internal woke proposals originating with middle management. First, executives may fear the reactions of particular stakeholder group—not necessarily those that control critical inputs or are the firm’s key customers, but those who are best organized and most vocal. Second, accepting middle managers’ woke initiatives may contribute to managerial entrenchment by executives. One mechanism is the shift from “hard” performance metrics like profitability or market value to “softer” measures such as contributions to diversity or social justice more broadly that can protect managers from internal or external discipline (Cespa & Cestone, 2007). This mechanism has been examined in the context of CSR and ESG activities which, by substituting more
ambiguous performance measure for the standard accounting and financial performance metrics, can lead to higher levels of managerial discretion including opportunistic earnings management (García-Sánchez et al., 2020). Likewise, as with middle managers, adding soft measures of woke company performance to the set of measures against which executive performance is measured may be advantageous to CEOs. These measures are easily manipulable—as noted earlier, there is no generally recognized corporate woke index—and may partially substitute for conventional performance metrics, serving as cover for moral hazard.

Going woke can also help to reduce CEO employment risk, another reason for CEOs to rubber-stamp woke proposals coming from below. CEO employment risk has increased over the last few decades because of increased labor-market competition, internationalization, and the increasing influence of shareholders (Frydman, 2019). Signaling a commitment to woke practices may make a CEO appear more valuable. Again, by analogy, there is evidence that managerial labor markets increasingly consider CSR as an important criterion for evaluating CEO capability (particularly in the context of increasing stakeholder orientation), and that CEOs seek to reduce their job risk by making the companies they manage invest more in CSR (Li, Chang, Xie, & Foss, 2022). If woke attitudes and practices become established as signals of managerial capability, CEOs will embrace them. In sum, even if executives are not particularly inclined for normative reasons to go woke, they may still—out of instrumental self-interest—select woke internal initiatives, practices, and behaviors.¹⁵

¹⁵ Note that our reasoning suggests that internal and external forces pulling towards wokeness are complementary. This is in line with Fligstein’s (1987) reasoning that internal advocacy is strengthened by external institutional change and contrary to Dobbins et al. (2011) who see these as substitutes.
DISCUSSION

Summary of Our Thesis

This paper is motivated by the theoretical and empirical puzzle that companies are increasingly committed to pursuing social justice and embracing other elements of “woke” ideology even when these are not obviously demanded by consumers, employees, or other key stakeholders. This behavior may reflect sincerely held values and beliefs among the firm’s owners and top decision-makers. It could also be a form of “virtue signaling,” designed to appeal to influential activists, politicians, regulators, and others in a position to impose costs on firms that do not embrace the favored positions. We think a more complete explanation for companies going woke should consider the internal dynamics that lead firms to take actions that benefit particular internal constituencies, even if these represent a minority of the firm’s key stakeholders. Specifically, HR specialists who manage diversity training programs, advertising teams that design social-justice marketing campaigns, and similar actors seem to play an outsized role in promoting wokeness.

To support this claim, we have offered a theory of strategic change in which middle managers and associated support personnel not only execute strategic direction from top managers, but also shape firm strategy via autonomous strategic initiatives, notably with respect to woke programs and activities. Our theory combines key ideas from intra-organizational ecology, agency theory, and institutional theory. We specifically argue that middle managers and support personnel have both the motivation, the opportunity, and the ability to launch internal woke initiatives/projects—they are often better situated to pick up emerging political and cultural trends such as woke, they can frame woke as a natural extension of CSR and stakeholder engagement, they can claim expertise, and controlling the internal woke agenda may entrench
them. When senior managers, influenced by institutional pressure, rubber-stamp such initiatives, emerging strategy driven from the middle levels of the organization becomes realized strategy.

The strength of our explanation is that makes sense of the often-noted phenomenon of middle managers, HR managers, etc. seemingly being instrumental in making firms go woke. It also helps to explain why many firms have so quickly bought into woke agendas. Of course, while we think our framework fits the general pattern of woke corporate emergence over the last decade, the details have yet to be examined with systematic empirical evidence.

Is middle-manager entrenchment harmful? To the extent that other stakeholder groups are indifferent to, or supportive of, woke ideology, it makes sense for them to delegate control of woke programs to these specialists, particularly if the latter share a firm normative commitment to social justice and related causes and activities. However, such delegation may come with hidden costs such as entrenchment, power imbalances, and organizational rigidity. Moreover, the promotion of corporate wokeness limits viewpoint diversity which is typically bad for creativity and innovation.

**Impacts of Wokeness on Firms, Industries, and the Economy**

While our discussion has focused on the nature and determinants of corporate wokeness, research is also needed on the consequences of the woke movement. Part of our motivation for contributing to this symposium is our concern that corporate wokeness has a number of potentially harmful effects which are excluded from most public (and private) discussions of DEI policies, partly for reasons discussed above—specifically, that woke individuals and groups tend to dismiss all criticism as politically motivated (remember the core belief that truth is subjective and truth claims can only be evaluated in terms of the “power” of those who make them).16

16 See also Waldman and Sparr (2022) for a similar discussion in the context of HR policy more specifically.
Below we sketch out some of these concerns. Of course, our arguments and evidence are suggestive, not dispositive, and we look forward to more rigorous empirical analysis to investigate these claims.

**Viewpoint diversity, innovation, and hiring practices.** The social psychology literature highlights the importance of viewpoint diversity in fostering creativity (Duarte et al., 2015). Although wokeism is a constantly evolving body of ideas, it still imposes a strong in-group/out-group dynamic and is strongly policed and enforced by its adherents in settings in which “even small departures from the social norm … seriously impair … status” (Bernheim, 1994: 841). Thus, it strongly limits the range of acceptable discourse within organizations, including those with large workforces among which one would expect considerable viewpoint diversity. The resulting ideological and political homogeneity can reduce creativity and innovation in organizations.17

The case of Google engineer James Damore is a well-known example. In July 2017 Damore posted an essay to an internal Google message board, “Google’s Ideological Echo Chamber,” challenging the claim of Google’s diversity training programs that all outcome differences among groups can be attributed to discrimination. Damore was fired for allegedly violating Google’s internal code of conduct, after which he filed a complaint for unfair termination with the National Labor Relations Board. Damore’s case has become emblematic of an extremely woke culture within Silicon Valley.18

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17 Hudson and Morgan (2022) show that political liberalism promotes conformity (“homophily”) within boards of directors of US companies and across boards with interlocking directorships.

18 Our argument suggests a negative correlation between wokeism and innovation, controlling for other determinants of innovation such as industry, technology, geography, etc. While Silicon Valley firms are obviously highly innovative, our argument implies that Big Tech firms are less innovative, on the margin, than they would otherwise be with less wokeness.
Cases such as Damore’s have potentially strong implications for HR issues. His firing sent a signal not only to current Google employees but also to prospective hires. Politics matters to hiring decisions; for example, an experiment by Gift and Gift (2015) showed that employers are more likely to hire politically like-minded applicants. Signaling wokeness is thus likely to influence the composition of the pool of potential employees.

Imposing ideological restrictions on employees, independent of their productivity and other contributions to value creation, might be viewed as an example of the employer indulging a taste for discrimination, as in Becker’s (1957) model of the labor market. By restricting the pool of eligible workers to those who are woke, employers engaging in this form of discrimination increase their labor costs relative to competitors who are more open to alternative worker ideologies, putting them at a competitive disadvantage. As with other forms of labor-market discrimination the size of this penalty depends on competitive conditions, employment law, and other labor-market frictions (Lang & Kahn-Lang Spitzer, 2020). For example, in Big Tech, where most firms share a commitment to woke ideology, the penalty is likely to be small. In manufacturing, it may be more significant.

**Organizational costs of woke.** Economic theories of organization describe costs associated with information processing, agency, and influence activities, using these to reason about internal organization (Milgrom & Roberts, 1992). When companies go woke, they risk increasing these internal costs of organization. Recent experimental research (List & Momeni, 2020) suggests that an unintended consequence of a firm level CSR-orientation is that employees may put less effort into the job due to a “moral licensing” effect: feelings of moral superiority in one dimension give them psychological permission to violate ethical norms in other dimensions.
Shirking results. Companies that go woke may experience similar moral hazard and for similar reasons.

As argued above, the woke agenda may be a distinct source of internal power in organizations. Resources invested in signaling wokeness internally to increase internal power are examples of what economists call influence costs (Milgrom & Roberts, 1988), the costs of manipulating policy makers to one’s advantage. HR units that lobby for increased diversity throughout the organization may be doing so for normative reasons, but instrumental motives related to power and entrenchment may also be at play.

Going woke may also increase costs related to conflict (beyond the familiar agency conflicts highlighted in the organizational economics literature). Managing conflict and the emotions and behaviors it causes has long been central to organization theory and organizational behavior (cf. Kolb & Putnam, 1992). However, these literatures have tended to focus on conflicts caused by different material interests among organizational units and overlapping roles. These costs can also stem from differences concerning how internal exchanges are framed and interpreted (Foss & Weber, 2016) or differences concerning the overall strategy of the company (Kaplan, 2008). In other words, conflicts may stem from different beliefs, broadly conceived. The Damore episode is an example of how such conflict can escalate. The decision by Coinbase CEO Brian Armstrong in 2020 to ban discussions of politics within the company was explicitly motivated by the desire to keep organizational conflict at bay.

The challenges of monitoring the woke frontier. The identity politics that lie at the core of wokeism represents a constantly evolving ideological frontier characterized by a multitude of positions, each with their own highly specialized terminology and jargon (Pluckrose & Lindsay, 2020). Woke ideas and programs lack concreteness, boundary conditions, and clearly articulated
principles. One reason for the dynamics of wokeism is what Bradley and Campbell (2018) call a “purity spiral,” in which group members compete to be recognized as the purest proponent of the group’s essential values. This leads to frequently changing internal agendas as the internal bar of moral righteousness is constantly being raised in a game of purer than thou.

The result is a quickly advancing, yet diffuse woke frontier which is hard to track, making it difficult for companies and managers to orient themselves in a constantly changing landscape of values. The range of acceptable positions may change rapidly, and the subsequent uncertainty is akin to the regulatory and institutional “regime uncertainty” (Higgs, 1997) that decreases investment and hampers long-term strategic planning (Bylund & McCaffrey, 2017).

Conclusion

The emergence of woke corporation (and the broader phenomenon of woke capitalism) is one of the most important phenomena of the last decade, but it remains poorly understood. We urge management scholars to apply theories of organizational design, strategy formulation, and organizational change—as well as theories from organizational behavior, human resource management, production and operations, nonmarket strategy, and other fields not touched upon here—to understand this movement. Most of the discussion on woke capitalism has taken place in the popular press, on social media, and in government offices. It’s time for management research to inform these debates in a more systematic way.
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