

Is the era of shaming companies into changing their ways over?

Negative press has often led companies to change or go on a charm offensive. But not all types of business need to pivot on strategy.



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By [Joan E. Ricart](#)

In 2018, Bayer completed an acquisition of the U.S. agrochemical firm Monsanto — and suffered a backlash that decimated its stock price. Antitrust concerns were one problem; another was Monsanto's glyphosate weedkiller Roundup, which was facing many lawsuits alleging that it caused cancer. Bayer responded to the negative press by designating funds to settle the lawsuits and by announcing a €5 billion investment to develop sustainable alternatives to glyphosate.

It was a strategic change brought about, essentially, by bad press, and it's not the only one of its kind. Think of Nike's famous sweatshop scandals in the late '90s or BP and the Deepwater Horizon oil spill. There's a clear link in each of those cases between negative media coverage and strategic change. But not every company responds to bad press this way.

With my co-authors Sascha P. Klein, Patrick Spieth and Charles H. Noble, I wanted to drill down into *why*. Why do some companies pivot in the face of public reprobation and others don't?

Although previous research has tied some of these decisions to personal attributes such as CEO narcissism, we chose to look at it from another angle: the kind of business model employed by the company in question.

What business model design says about a company

Different business model choices can hint at the unique features that may define corporate culture. Whether customer or product focused, high-growth or legacy business, hustle culture or work-life balance, the choices that are baked into the company's DNA affect how it will respond to all kinds of challenges.

Specifically, we [studied two particular business model designs](#): novelty centered — those that create value from innovation — and efficiency centered.

- The former includes companies like Netflix, which shook up the DVD rental space by mailing movies directly to customers and then later pioneered streaming.
- On the efficiency side are firms like Amazon or Ryanair, which innovate in their attempts to reduce transaction costs and provide increased efficiency, but whose business models are not great departures in and of themselves.

We looked at 96 firms that received negative media coverage and considered whether or not they responded with strategic change. Then, we examined whether being novelty or efficiency based affected their responses. We discovered that novelty-based businesses were less likely to pivot when faced with public pushback for their actions.

To some, this intuitively feels correct. Take the reaction of Elon Musk when several media outlets negatively reported on Tesla's workplace conditions and self-driving vehicle crashes in 2018. Rather than making any kind of strategic pivot, Musk went on the offensive, attacking his critics on X (then Twitter).

Why are novelty-centered firms less likely to bow to external pressures?

We propose these reasons:

- First, when a firm is differentiated enough, negative coverage doesn't threaten its primary source of value creation or its effective handling of transactions.
- Second, constant innovation involves risky strategies by design. Pushback might even strengthen perceptions of the company's distinctiveness — indeed, it might act as a confirmation that the firm is misunderstood precisely because it is doing something so new. Novelty-firm CEOs expect to have their legitimacy challenged.

Meanwhile, in firms that value long-term satisfaction and efficiency over quick innovation and change, bad press can be a sign of disruptive threats on the horizon, and those CEOs may be more likely to consider changes that will return the firm to its usual place in society.

Takeaways for managers

Rather than treating negative media coverage as a universal signal for change, firms should assess their business model's strengths.

Innovative firms may focus on messaging rather than transformation. Critically, though, such firms shouldn't ignore *sustained* periods of negative media coverage, which can be an indication of severe issues. For instance, Musk got away with being belligerent in 2018 but can he get away with it forever?

Efficiency-driven firms, meanwhile, may need to consider more proactive strategic shifts.

They should also monitor how their competitors are responding and see if their pivots open up new market opportunities.



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