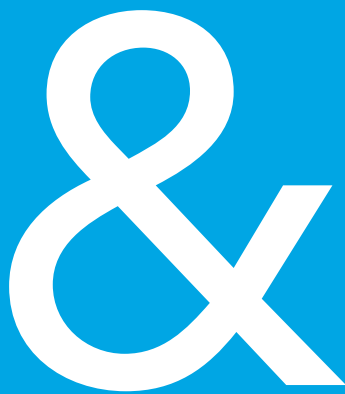


BUSINESS



POLITICS  
DO THEY MIX?



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# INTRODUCTION

## Should corporations and their CEOs mix business with politics? What happens when they do?

Government involvement in the private sector has long been the subject of debate in the U.S. This is particularly true of the past five years, since the financial crisis prompted direct interventions by the federal government in the financial and automobile industries. Opinions vary widely on this issue, but it's safe to say that politicians, business leaders and many Americans certainly have strong views on how much government intervention is right for business.

But what happens when the roles are reversed, and **business gets involved in political issues?** While corporate citizenship, also known as corporate social responsibility, has become common, the concept of "corporations as citizens" and the practice of **businesses and their CEOs looking to speak out publicly on political and social issues has only more recently moved into the spotlight** – with varying results.

Generally speaking, **there are two commonly cited reasons** why corporations speak out politically: **opposition to or support of a specific policy**, or, alternatively, a **general frustration caused by political gridlock** in Washington, DC. Papa John's CEO John Schnatter recently found himself in hot water over comments he reportedly made about his opposition to the Patient Protection and Affordable Care Act (also known as Obamacare).<sup>1</sup> Earlier this month, over 100 corporations – including eBay, Nike and Office Depot – made headlines when they voiced support for same-sex marriage in two briefs filed with the Supreme Court.<sup>2</sup> Last year, in response to the political gridlock in Washington around fiscal issues, CEOs from corporations ranging from Delta Airlines to Morgan Stanley to LinkedIn threw their weight behind the Campaign to Fix the Debt, a nonpartisan movement focused on addressing America's growing federal debt and building support for a comprehensive plan to fix the long-term debt and deficits.<sup>3</sup>

So, what happens when corporations and their CEOs speak out on political issues? **How does the American public feel about businesses that get involved in politics?** And how do people react when companies weigh in on issues of the day? To understand these dynamics, we decided to delve deeper into this issue. **What we found was intriguing, and presents significant implications and considerations for corporate reputation** and the relationships businesses have with their stakeholders.

## **PUBLIC OPINION STUDY:**

# The Interplay of Business and Politics

To understand what happens when corporations publicly speak out on policy and political issues, we conducted a public opinion study among a representative sample of 806 Americans. Our study explored a variety of topics: from perceptions of specific companies, to opinions about the role that businesses should play in political discourse, to opinions about specific public stances taken by corporate brands on a variety of political issues.

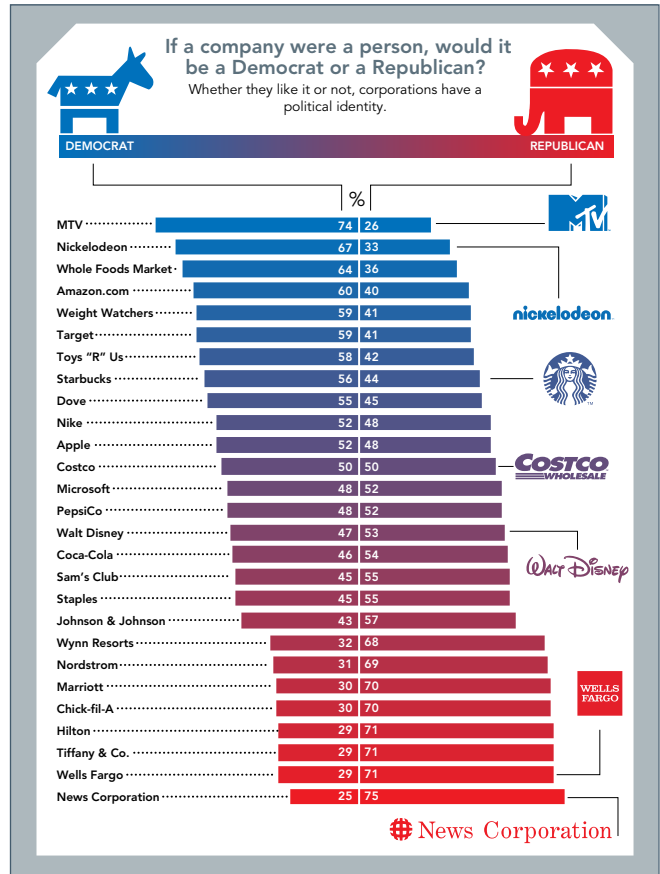
# Public Perception of Corporations' Political Brands

We began by asking respondents to do something unusual: identify the politics of specific companies as though they were individuals. Respondents were given a list of 27 companies and asked to indicate whether they thought the company would be a Democrat or a Republican.

**What we found is that corporations have a clear political identity, whether they intend to or not.** (See Figure 1.) In some instances, this political identity is driven by a company's well-known public position on a political subject (e.g. Chick-fil-A and same-sex marriage). But in many cases, it has to do with Americans' perceptions of the industry in which the business operates. Corporations in certain industries tend to be assigned particular political leanings even if their publicly-expressed views do not reflect this. For example:

- All three corporate brands surveyed in the hospitality industry (Marriott, Wynn and Hilton) were identified as Republican. Companies in the luxury goods space (Nordstrom and Tiffany & Co.) and in the banking industry (Wells Fargo) were also seen as Republican-leaning.
- On the other side of the spectrum, youth-focused media and entertainment industry companies MTV and Nickelodeon were both perceived as Democrats. Whole Foods Market – a corporate brand identified with “green” causes like organic food and environmentalism – was also seen as a Democrat despite its CEO’s public opposition to Obamacare.

Figure 1

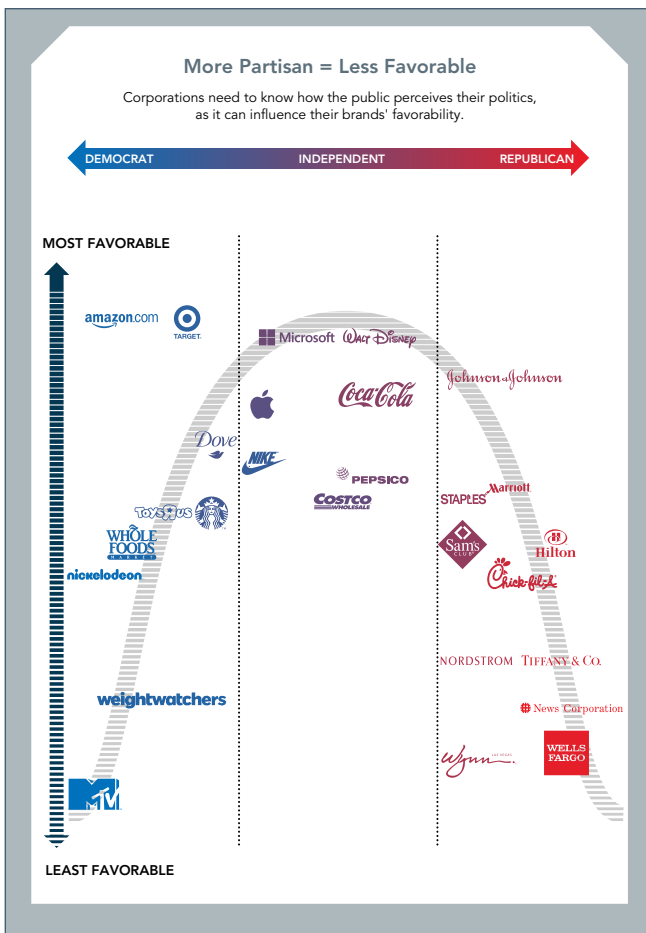


As a brand identified with left-leaning causes, our research shows that public perception of Whole Foods' politics is at odds with **Whole Foods CEO John Mackey's** controversial public statements on political issues. Mackey has been a vocal opponent of Obamacare. During the health care debate in 2009, Mackey penned an op-ed for *The Wall Street Journal* that criticized the creation of a “massive new health-care entitlement.”<sup>4</sup> More recently, in January 2013, Mackey found himself under fire for his use of the word “fascism” when answering a question about the health care measure during an interview with National Public Radio.<sup>5</sup>

Why should businesses care about the public’s perception of their politics?

Simply put, because it has implications for their corporate reputation and the way they communicate with internal and external audiences. We found that perceptions of corporate and political identity are correlated to a corporation’s favorability in several interesting ways:

Figure 2



■ Corporations perceived as strongly partisan earn low favorability ratings.

Before asking individuals to identify their view of a corporation’s political identity, we asked them to rate each company on favorability. By combining the two measurements, we found that the more partisan a company is perceived to be, the less favorability it tends to enjoy (Figure 2). To illustrate this point, take the example of the company respondents considered most partisan: MTV. 74% characterize MTV as a Democrat. At the same time, of all the corporate brands tested, MTV had one of the lowest favorability ratings (28%). Similarly, on the other side of the political spectrum, 71% of respondents characterize Wells Fargo as Republican, yet just over one-third (35%) perceive it favorably.

■ Companies seen as being in the middle of the political spectrum enjoy some of the highest levels of favorability.

Microsoft (73%), Walt Disney (73%) and Coca-Cola (69%) have some of the highest favorability ratings. At the same time, these companies are not seen as having a strong political tilt. Half of respondents classify Microsoft, Walt Disney and Coca-Cola as Democrats and half classify them as Republicans.

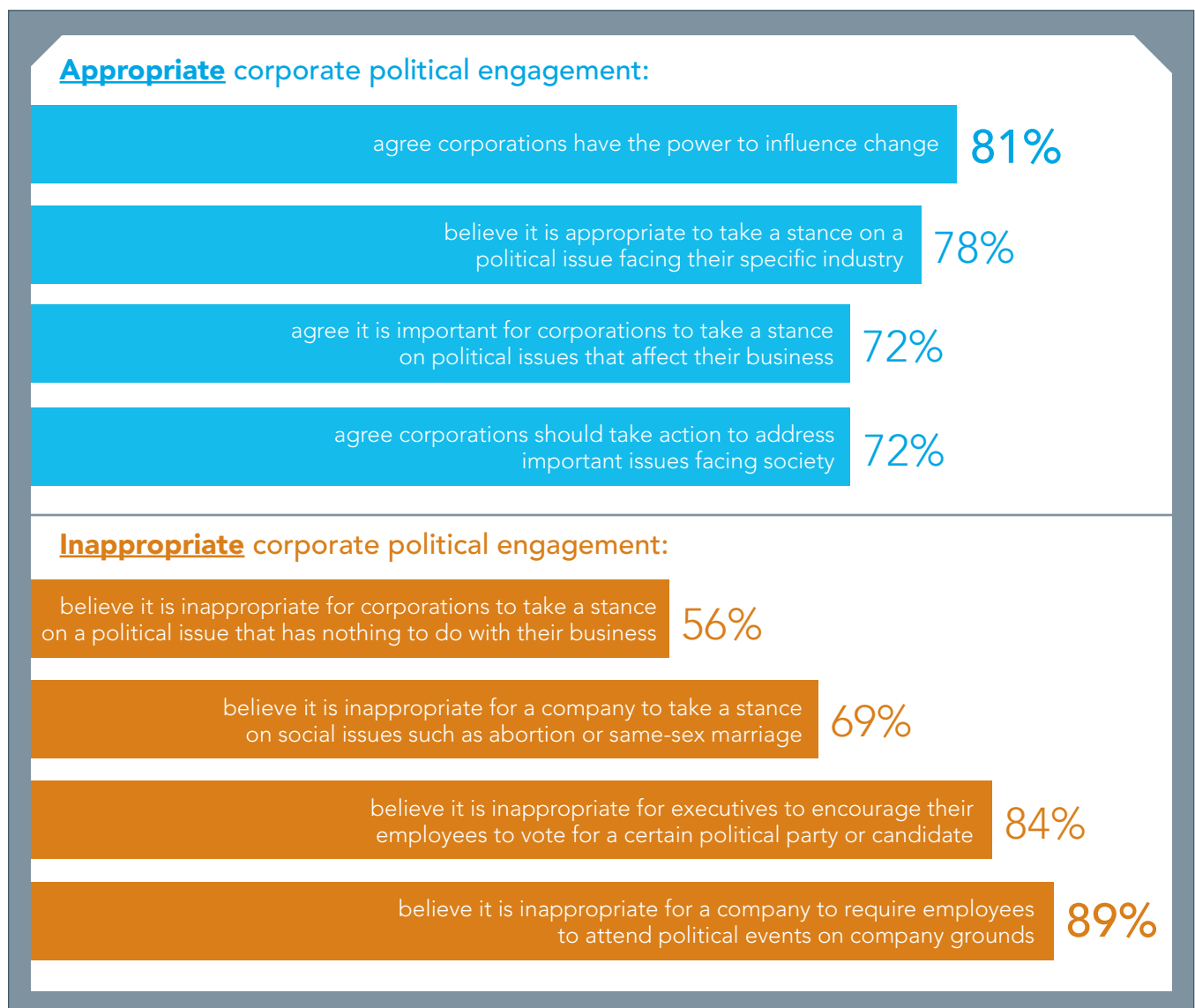
■ Individuals give higher favorability ratings to companies they see as being aligned with their own political identity.

On average, Democrats give a 68% favorable rating to corporations they classify as Democrats, but only a 44% rating to those they classify as Republicans. Similarly, Republicans give a 68% favorable rating to companies they classify as Republican, but only a 49% rating to those they classify as Democrats.

# Views on Corporate Political Engagement

Our study also looked at opinions on what corporations should and shouldn't do regarding their public participation in political and social issues. The results reveal a nuanced public opinion environment. More than seven in 10 adults believe it is **important for businesses to take action to "address important issues facing society" and appropriate for companies to take a stance on a political issue facing their industry.** However, Americans also have clear reservations about corporations straying too far into politics. In fact, a majority of those polled think companies should not speak out on political issues, especially if it does not directly pertain to their business. And there is particular unease with companies taking positions on sensitive social issues such as abortion or same-sex marriage. Figure 3 illustrates the spectrum of issues respondents feel corporations should and should not address.

Figure 3



## Real-World Examples

To further understand what happens to public opinion when corporations adopt positions on political and social issues, the final part of our study explored voter reactions to “real-world” examples. Respondents were presented with actual public positions adopted by corporations that pertain to business issues, social issues and endorsements of specific political candidates. What we found was intriguing.

**In the real world, the public evaluates the appropriateness of a statement or stance from a variety of angles.** These include its relevance to a company’s business, the substance of the issue and how it is positioned by the company. In testing the public’s reactions to these statements, we found that:

- **There is a disconnect between what the public thinks is appropriate in theory and what they find appropriate in practice.** While only one-third of the public thinks it is appropriate for a business to take a position on a social issue, the calculus is altered once people are provided with specific examples. One of the stances deemed most appropriate was a position on same-sex marriage and partner rights adopted by Nordstrom. Despite the fact that only 31% of Americans said they believe it is appropriate for a company to take a position on a social issue, more than twice that number (68%) found Nordstrom’s position appropriate. Likewise, less than one-third of the public believes that CEOs should be able to speak for and endorse a political candidate on behalf of their company. But when given a real example – Staples CEO’s support of Republican presidential candidate Mitt Romney<sup>6</sup> – 53% said this was an appropriate thing for the company’s leadership to do.

## NORDSTROM

In an email to company employees, Nordstrom President Blake Nordstrom stated, “it is our belief that our gay and lesbian employees are entitled to the same rights and protections marriage provides under the law as all other employees.” This statement was accompanied by a proactive offering of life partner benefits to gay employees and the inclusion of sexual orientation in the company’s anti-discrimination policy.<sup>7</sup> According to a *Wall Street Journal/NBC* poll in late 2012, “a majority of Americans (51%) now favor allowing same sex marriages, up from 30% in 2004, and 41% three years ago”. In the poll, 55% of Americans said “they would support a law to legalize gay marriage if one passed in their state.”<sup>8</sup> In this instance, Nordstrom took a position that was aligned with a majority of public opinion and tied the social issue back to its business remit of offering equal rights to all its employees. Because Nordstrom framed the position in the context of the company’s business, the company was able to take a stance on a social issue that may have otherwise been perceived as inappropriate.

- **Awareness of political stances taken by companies is typically low – unless the stance is very controversial.** Our study revealed that public awareness of political stances taken by companies is generally very low. Of all the positions tested, all but one had public awareness levels below 29% and most were even lower. There was one major exception: two-thirds (66%) of those surveyed were aware of the position opposing same-sex marriage adopted by Chick-fil-A in 2012. In July 2012, Chick-fil-A's president Dan Cathy announced that the company operates along "biblical principles" and is "very much supportive of the family... the biblical definition of the family unit."<sup>9</sup> This statement spread rapidly through traditional and social media channels and produced an impassioned response from opponents and supporters of the company's stance.
- **Companies have more to lose by being out of touch than they have to gain by being in step.** Our study tested corporate favorability before and after respondents were exposed to political statements made by those companies. We found that corporations experienced a significant drop in favorability among those respondents that *disagreed* with that company's stance. Alternatively, we did not see a comparable rise in corporate brand favorability among those who *agreed* with a position adopted by the company. In fact, on average, we found that a company's favorable rating dropped by a whopping 42 points among people that disagreed with its stance. Among people that agreed with the position, there was no statistically significant change in a company's favorable rating (an average drop or gain of two points). That being said, there are exceptions. If positioned correctly, corporations can benefit from taking public stances.
- **Corporations can enhance their standing by taking a stance.** The fact is that most public statements made by corporations on political issues remain under the radar and do not generate widespread awareness. If a statement is targeted in the right way and in tune with the right constituency, this can have a positive impact on a corporation's reputation. Nordstrom is a perfect example – of all the corporate stances tested, Nordstrom reaped the greatest benefit with 42% of the public perceiving the corporation more favorably as a result of its stance on benefits for same-sex partners (compared to just 24% who viewed it less favorably).  
  
Another good example is the position adopted by Coca-Cola regarding New York City's ban on large size sodas. The company issued a public statement opposing the city's decision to ban sugary drinks over 16 oz. It asserted "New Yorkers expect and deserve better than this. They can make their own choices about the beverages they purchase."<sup>10</sup> As we have seen, 78% of respondents believe that it is appropriate for companies to take a stance on a political issue facing their specific industry. This was reflected in the fact that 83% of respondents found Coca-Cola's position appropriate.  
  
These cases illustrate that corporations should not necessarily shy away from adopting stances on political or social issues because of the potential risks. However, it's essential that corporations are aware of public opinion and know where their key audiences stand on matters of importance to their business.



**WHEN BUSINESS MEETS POLITICS:**

# Planning and Preparation Are Keys to Success

If well-managed, a company's reputation may benefit from taking a position on a political issue. But if badly handled, or if a company isn't fully prepared, the potential damage to its reputation can be significant. Careful planning and preparation are vital for any business thinking of going public on a major political issue.

So, what are the takeaways for corporate leaders and their communications departments? There are four key lessons that companies must consider:

# 1

## Keep your finger on the pulse of opinion. Know where your key audiences stand on the issues that matter to your business.

Understanding where public opinion sits *today* on your issue, and how it may shift in the future, is invaluable knowledge. Be dynamic, stay in tune. *Know* what your stakeholders think – don't *think* you know what they think.

For proof of why this is critical, we need to look no further than emerging demographic patterns. Younger generations and changing populations don't think the way their parents did. Take the issue of same-sex marriage. As we have seen, public opinion on this issue has shifted dramatically in recent years. A majority of Americans (51%) now give it their approval. That's up from 30% in 2004, and 41% just three years ago.<sup>11</sup> Similarly, changing demographics have contributed to the opinion shift on immigration in the U.S. While only 52% of Americans believed immigration to be a good thing in 2002, that number has now risen to 66%.<sup>12</sup>

Having a system in place to track and understand sentiments among internal and external audiences will ensure that you remain in line with their opinions. This should take the form of opinion polling, but it doesn't stop at primary research. Depending on your business, watching what people share on Twitter, Facebook, Tumblr, Pinterest and even Instagram can give you key insights into the moods and leanings of your audiences. Building and maintaining a robust social media monitoring system will ensure that you remain in step and in tune with your customer and influencer base.

## 2

If you plan to take a stand, be prepared. Particularly if it's on a hot button issue.

Our research does not indicate that corporations *shouldn't* take a position on sensitive issues. It depends on who you are, how your brand is perceived and what the issue is. If you choose to do so, you need to anticipate what the reaction could be and know exactly how it *could* affect your brand and reputation. Understanding the "maybes" and the "what ifs" and planning for those scenarios is critical.

This is particularly important if the position you take is on a controversial issue. While overall public awareness of political positions taken by companies is relatively low, this doesn't mean you can assume that your stance will go unnoticed. Taking a position doesn't necessarily mean you'll be thrust into the spotlight, but you need to be prepared in case that happens.

Scenario planning can be an invaluable way of thinking ahead and working back from there. That is, mapping each potential scenario – both probable and less likely – that the company may face in response to taking a stand on a certain issue. These plans should also include public relations and communications options and implications associated with each scenario, as well as recommendations regarding the best course of action for each. The resulting road map can serve as a step-by-step guide for how your company should navigate and appropriately respond in a variety of situations.

# 3

## Don't stray too far from your core business.

In theory, Americans do not believe that corporations should take positions on social issues such as same-sex marriage or abortion. However, in practice such positions may be viewed favorably if managed well and positioned in a credible way. Nordstrom's position on benefits for same-sex partners is a good example of this.

The position you choose is much less risky if it is viewed as having an "organic" connection to your business. However you accomplish this – whether it's tying the position to your commercial success or connecting it back to your employees – your company's reputation will be on much more solid footing if people perceive that your position is related to your company's core purpose.

# 4

## Know what your employees think before you take a public stance.

When it comes to your company's reputation, don't underestimate the effect that employees can have on an organization's public persona. Employees can be among the most credible and influential fans and advocates, but also some of the most devastating critics. After all, employees are a brand's ambassadors around the clock – representing the company online and offline, at work and at home, via social media and traditional word of mouth.

Especially with the advent of social media, it's easier for employees to help shape and drive the brand identity and reputation of companies. There are several websites dedicated solely to employee reviews of their employers – the good, the bad and the ugly. Treating employees poorly could mean angry rants on anonymous review websites or online social channels like Twitter and Facebook. And although disgruntled employees may present a negatively biased view, they tend to be seen as highly credible sources because they are insiders who are invested in the company.

In the end, employees' perceptions and opinions matter. If you're not confident your employees are on board, it may be difficult to persuade other, less invested stakeholders.

There is little reason to think that the conditions that have given rise to corporations adopting public stances on political issues will change any time soon. Political gridlock in our nation’s capital doesn’t show any signs of abating, and policymakers will continue to face big, contentious issues that are likely to prompt some corporate leaders to speak out, either in favor or opposition.

Our research suggests that corporations and their leaders should not automatically shy away from adopting stances on political or social issues, even if they involve controversial topics. What is vital, however, is that companies are aware of public opinion and know where their key audiences stand on matters of importance to their business – particularly if they are considering adopting a public stance on those issues.

A company’s reputation may benefit from its adoption of a public stance, but only if the decision is positioned and communicated effectively. Handled badly, the potential reputational damage can be costly, especially if the issue in question is high in the public consciousness. The right planning and preparation are what make all the difference.

# CONCLUSION

## METHODOLOGY:

Global Strategy Group (GSG) conducted a public opinion survey among 806 adults 18 years and older between November 26 and December 3, 2012. The survey was conducted online recruiting respondents from a leading opt-in online panel vendor. Special care was taken by GSG to ensure that the demographic composition of our sample matched United States Census values on a series of demographic variables including age, gender, region, ethnicity, income and educational attainment.

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## ABOUT GLOBAL STRATEGY GROUP

Global Strategy Group (GSG) is one of the nation's go-to public affairs firms distinguished by our depth of talent, influential clients and winning track record. Battle-tested in the trenches of corporate reputation management and political campaigns, we bring unrivaled commitment to every assignment. Our clients – which include Fortune 100 companies, national political leaders, associations and nonprofits – rely on GSG for candid guidance and fast, effective execution. We provide a combination of critical thinking and on-the-ground results that many other firms talk about, but few deliver.



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