
BUSINESS AND POLITICS

DO THEY MIX?

2014 ANNUAL STUDY



IS MIXING BUSINESS AND POLITICS GOOD FOR BUSINESS?

If some corporations are beginning to develop political identities, what are the implications for corporate reputation?

Business leaders, politicians, and many Americans have long held strong views on how much government intervention is right for business. From Dodd-Frank regulations to the bailout of the financial services industry, government interference or support is a hotly debated topic.

But recently, the roles have also been reversed—with businesses becoming more involved in political and social issues. In the past year alone, corporations have readily weighed in on everything from immigration to the Affordable Care Act. Hobby Lobby’s position on reproductive rights made its way all the way to the Supreme Court.¹

Is the practice of businesses taking a public stance on political and social issues appropriate? How does the public feel about it?

For the second year in a row, Global Strategy Group conducted a public opinion study among a representative sample of Americans to explore opinions about the role – if any – that businesses

A MAJORITY OF AMERICANS NOW BELIEVE IT IS APPROPRIATE FOR COMPANIES TO STAND UP FOR WHAT THEY BELIEVE POLITICALLY, REGARDLESS OF WHETHER OR NOT IT IS CONTROVERSIAL.

should play in political discourse; political perceptions of specific companies; and opinions about specific public stances taken by corporate brands on a variety of political and social issues.

We learned that the public has a resounding opinion about how businesses weigh in on political issues

and the positions they take. We already knew that many Americans believe that corporations should take action to address important issues facing society, but even as recent as last year, felt it was inappropriate for companies to take a stance on controversial issues. This year, public opinion has flipped. Now a majority of Americans – 56% – think it is appropriate for companies to stand up for what they believe politically regardless of whether or not it is controversial. Needless to say, this has significant implications for brand identity and the role that corporations play in the public discourse.

In this year’s study, we continue to explore this trend and its impact on corporate reputation, and share key lessons for corporations and their CEOs who are navigating an ever evolving political climate.

CORPORATE POLITICAL ENGAGEMENT

A majority of Americans now believe companies should stand up for what they believe politically, regardless of whether or not it is controversial.

We learned last year that Americans have views about how corporations should be engaging on

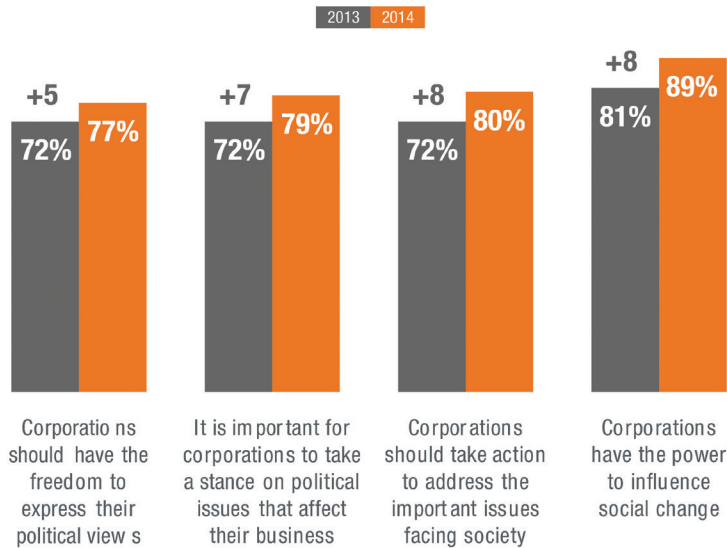
political and social issues—we found that 72% of the public agreed that corporations should take action to address important issues facing society. Over the past year, American opinion on this issue has grown to 80%—a significant increase of 8 percentage points.

Even more interestingly, while last year the public believed that companies should avoid positions on controversial issues, opinion has shifted. This year, a majority of Americans (56%) believe

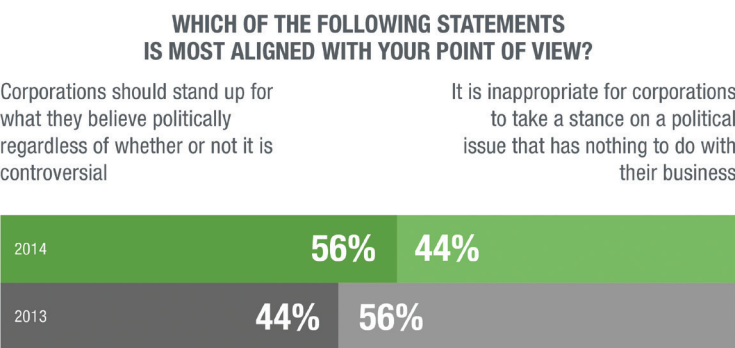
that corporations should stand up for what they believe politically, regardless of whether or not it is controversial - an increase of 12 percentage points.

In addition to their opinions on the role businesses *should* play in the political discourse, people also believe more strongly this year that companies *can* influence society. In fact, 89% now believe that corporations have the power to influence social change—an increase of 8 percentage points since last year’s study.

More Americans believe that companies should actively engage on political and social issues compared to just one year ago.



A majority of Americans now believe companies should stand up for what they believe politically regardless of whether or not it is controversial.



THEORY VS. REALITY

In addition to evaluating general attitudes toward corporate political engagement, our study explored reactions to public positions that corporations have adopted on a variety of political and social issues, including same-sex marriage, the minimum wage, environmental sustainability, and gun control.

As we found in last year’s study, there remains a disconnect between what the public thinks is theoretically appropriate and how people react to real-world practices. In the real world, the public evaluates the appropriateness of a corporate statement or stance from a variety of angles. These angles may include the relevance of the position to a company’s business, the substance of the issue, how it is positioned by the company, and/or whether a company took action on the issue.

WE FOUND THAT

1 Corporations can enhance their standing by tying their stance to their industry. Since the last installment of our study, Americans have increasingly come to believe it is appropriate for a corporation to take a stand on a political issue facing its specific industry (84%). For example, Hotels.com’s Vacation Equality Project, a campaign to “build awareness for the need for a guaranteed minimum amount of vacation time for American workers,”² is deemed appropriate by 75% of the public. This campaign is clearly connected to its industry – vacation and travel.

2 Companies can enhance their standing by tying their stance directly to their business; and even more so by demonstrating action on issues important to their business and employees. Last year, 72% of respondents agreed that it is important for corporations to take a stance on political issues that affect their business. This year, 79% of respondents agree. By tying a stance to its business, a company can garner public approval on an issue that might not otherwise be so popular. Chipotle’s recent position on gun control³ is a

CHIPOTLE | GUN CONTROL

After gun rights advocates posed with assault rifles at one of its Texas chains, Chipotle issued a statement asking customers to refrain from bringing firearms into its restaurants. The company explained that firearms in the restaurants have created, “an environment that is potentially intimidating or uncomfortable for many of our customers.” Chipotle’s stance on gun control is a good example of how a company can successfully take a stance on a political issue that might otherwise seem random or even inappropriate, by tying it to its business. Because Chipotle framed its position around the importance of safety for its employees and customers, the company was able to speak out on an issue that may have otherwise been perceived as inappropriate.

FIGURE 1

good example. In our study, 45% generally believe it is appropriate for businesses to take a stance on gun control. When specifically related to the safety of a company’s employees, that number increases to 68%. Yet 83% believe it is appropriate for Chipotle

WALT DISNEY | MINIMUM WAGE

Amidst a national debate about the federal minimum wage, Walt Disney announced a 25% increase in starting pay at its Florida theme parks, moving from \$8.03 to \$10.00 an hour. Months earlier, Disney’s CEO Robert Iger stated, “It is our intention to behave very responsibly and fairly with all of our cast members and compensate them in ways that reflect the value that they create for the company and for our customers.” Starbucks and McDonald’s have also taken more general stances supporting a raise of the minimum wage, but Walt Disney’s action is perceived as the most appropriate in our study. This may be due to the fact that Walt Disney, as a company, is seen more favorably than Starbucks and McDonald’s, or because Walt Disney’s stance is an action that directly relates to its own employees, rather than a more general statement on the issue.

FIGURE 2

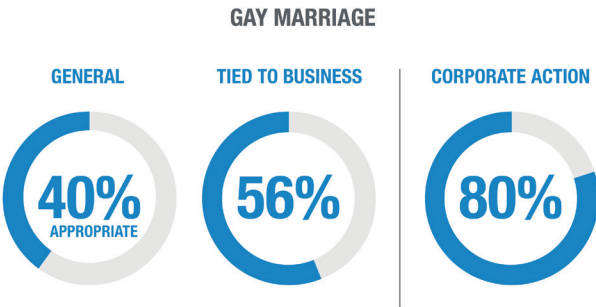
to ask its customers not to bring firearms into its restaurants because it creates “an environment that is potentially intimidating or uncomfortable” for its customers. (See Figure 1)

Demonstrating direct action on a stance that is tied to a company’s business is also perceived favorably. For example, Starbucks and McDonald’s both recently took general stances on minimum wage that 77% of Americans deem it appropriate.^{4,5} Yet, Walt Disney’s stated action to raise its employees’ wages, as discussed in Figure 2, is considered 91% appropriate.⁶

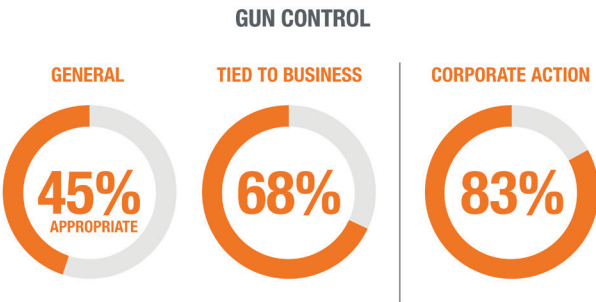
3 | Companies should know their audience—and their issue—before taking a stance. Understanding where public opinion sits today on an issue, and how it may shift in the future, is an important consideration for companies taking positions on hot button political and social issues. For example, for the first time, a majority of Americans now support marijuana legalization (58%); and Millennials (18-29 year olds) are even more supportive (67%).⁷ Likewise, support for same-sex marriage has increased from 35% in 2001 to 52% today.⁸

These changes in public opinion may help explain why, when we tested Pfizer’s policy of donating to anti-marijuana groups⁹, 47% of adults, and 50% of Millennials deemed it inappropriate. Alternatively, the recent supportive stances on same-sex marriage and LGBT equality taken by


Companies that tie a stance to their business, and take action, are better received than companies that don’t.



NORDSTROM LGBT ARE ENTITLED TO THE SAME RIGHTS



CHIPOTLE NO FIREARMS IN RESTAURANTS



“EACH COMPANY HAS THE RIGHT TO CHOOSE IF THEY SUPPORT GAY RIGHTS OR NOT... I HOPE ONE DAY EVERYONE CAN BE AS UNDERSTANDING AND ACCEPTING OF GAYS AS EXPEDIA HAS PROVEN TO BE.”


(FEMALE, DEMOCRAT, MILLENNIAL)

Nordstrom (80%), Expedia (75%), JCPenney (73%), and Chevrolet (73%) are viewed as appropriate by respondents.^{10,11,12} In fact, Millennials more than any other age group say that LGBT-friendly positions taken by the companies included in our survey are appropriate. More so, after learning about these stances, Millennials became much more favorable toward these companies overall. In particular, Millennial favorability toward JCPenney increased by 29 percentage points after respondents heard its stance.

4 | Taking a position on the environment or the economy is a good bet. When it comes to issues related to the economy and the environment, there doesn’t seem to be much question of appropriateness. Most Americans—78% – say it is appropriate for a company to take a stance on economic issues, such as the national debt or unemployment. Similarly, 84% believe it is appropriate for a corporation to take a stance on the environment, whether or not it is directly connected to its business.

For instance, nine out of ten Americans (94%) believe Costco’s stance on sustainable seafood¹³ is appropriate. (See Figure 3) As we look ahead, these findings suggest that the environment and economy are now issues that people may even expect companies to take positions on.

5 | If a company has something good to say, it should say it. The fact is that most public statements made by corporations on political issues remain under the radar and do not generate widespread awareness. Only one of the 19 stances we tested is widely known (54%). Since awareness of political and social stances is low, companies with something good to say should be proactive and state it publicly. Public statements can



COSTCO | ENVIRONMENT

Costco announced in September 2014 that its skipjack tuna product will no longer use the Fish Aggregating Devices that kill other marine wildlife. Once Americans heard about Costco’s environmental decision, favorability towards Costco increased significantly - from 54% at the start of the survey to 70% after being informed of Costco’s position and 93% agree with its position on this issue.

Costco’s high favorability increase demonstrates why it is important for a company to listen to its audience. Costco took an appropriate action for its business, which in return gained significant support from the public. Taking a stance on issues the public supports, like the environment, can also help a company’s favorability if it is carried out in a relevant and credible way.

FIGURE 3

include promoting a corporate social responsibility (CSR) initiative, or sharing a new corporate policy internally and externally. For example, 75% of adults

CHICK-FIL-A | SAME SEX MARRIAGE

In a 2012 interview with the *Baptist Press*, Chick-fil-A's president Dan Cathy came under fire after stating that his company operates along "biblical principles" and is "very much supportive of the family – the biblical definition of the family unit." This statement quickly made its way into the mainstream media, and almost overnight, the brand shifted from popular food chain to a company in the spotlight that was vocally against gay marriage. While supporters of the company's stance remained loyal, the popular fast food chain was widely boycotted and fueled the rallying cry for gay marriage proponents.

Nearly two years later, Cathy retreated from the controversy explaining, "Every leader goes through different phase of maturity, growth and development and it helps by [recognizing] the mistakes that you make." While Cathy's 2012 stance left Chick-fil-A's brand less favorable, Cathy was able to move the conversation forward by admitting his mistakes. In the process, our research found that when we presented adults with the company's original position and then its new stance, more Americans – 59% – believe its current position is appropriate, compared to 45% who thought its 2012 stance was appropriate.

FIGURE 4

agree with Nike's pro-environment stance¹⁴, yet 91% say they were not aware of its stance before they learned about it in this study.

6 **Companies should tread carefully on controversial issues.** Even though a majority of respondents believe that companies should weigh in on issues, even if controversial, taking a position on a hot issue must always be treated with caution. First, controversial issues have the potential to

catch the public attention. For example, two years after Chick-fil-A CEO Dan Cathy made a controversial statement about same-sex marriage, the company is still doing damage control and Cathy recently publicly reversed his stance.¹⁵ Chick-fil-A is still cited frequently in the media and over half of Americans are aware of Chick-fil-A's controversial position. (See Figure 4)

Second, companies taking a stance on a controversial issue must be prepared for pushback. For example,



"CREATING A POLITICAL CRISIS FOR NAME RECOGNITION IS A POOR WAY OF RAISING BRAND AWARENESS."

MALE, INDEPENDENT, GEN X

SodaStream waded into the hot-button Israel-Palestine issue when CEO Dan Birnbaum claimed the company had "not lost a single customer" as a result of its operations in an Israeli settlement in the West Bank, a globally controversial occupation.¹⁶ In fact, Birnbaum said, "If anything, it advances our awareness around the world, because people are talking about SodaStream." 68% view it as inappropriate for a company to take a stance on the ongoing conflict between Israel and Palestine, especially if it does not relate to its business.

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THEORY VS. REALITY

CAN CORPORATE POLITICAL IDENTITY CHANGE?

INSIGHT, RELEVANCE, AND PREPARATION REMAIN KEYS TO SUCCESS

REFERENCES



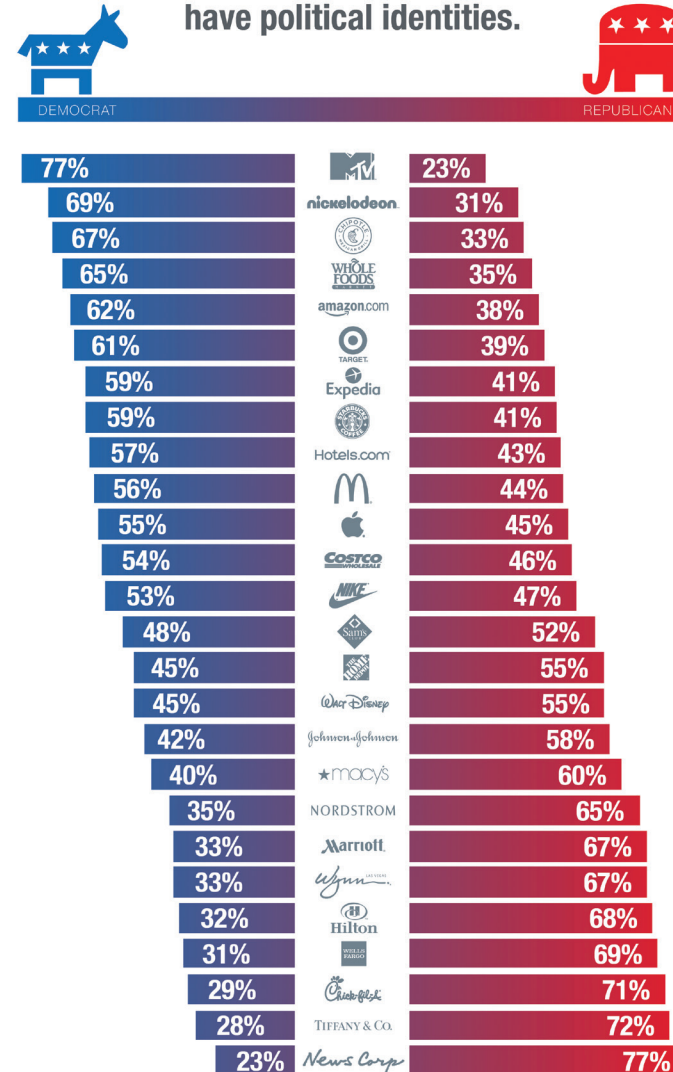
CAN CORPORATE POLITICAL IDENTITY CHANGE?

In our 2013 study, we found that companies have clear corporate political identities.

For the second year, we asked respondents to identify the political identity of specific companies as though they were individuals. Respondents were given a list of companies and asked to indicate, if the company were a person, whether they thought the company would be a Democrat or a Republican.

Of the 24 companies we tracked, we found that most companies (22) firmly held their political identity (the other two companies shifted very slightly, but remain non-partisan). Although there are certainly a number of factors that play into why the public assigns these characteristics, it's clear that corporations do, indeed, have a political identity, whether they intend to or not. Perception matters, and the way companies communicate with internal and external audiences, particularly on potentially controversial political and social issues, impacts corporate reputation and brand favorability.

If a company were a person, would it be a Democrat or a Republican?
Whether they like it or not, corporations have political identities.



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If managed well, a company's reputation may benefit from taking a position on a political or social issue—now more than ever before.

So, what are the takeaways for corporate leaders and their communications departments? When considering whether or not to take a political or social stance on an issue, it's important for corporate communicators to consider the corporation's political identity, whether or not the stance is relevant to its business or industry, the public's support for that issue, who its audience is, and even the average age of its key audiences.

FIVE KEY LESSONS FOR COMPANIES TO CONSIDER WHEN TAKING A STAND ON A SOCIAL OR POLITICAL ISSUE



1 BUSINESS MATTERS

Don't take a stance that veers too far from your core business. And if your stance is tied directly to your business or industry, actions speak louder than words.



2 KNOW WHICH WAY THE WIND BLOWS

Know where your audience stands on key issues, and be aware of opinion shifts on those issues. Issues like same-sex marriage, the environment and the minimum wage are quickly gathering support among Americans, and corporate stances on these issues may be viewed favorably if managed well and positioned in a credible way.



3 CONSIDER YOUR AUDIENCE—PARTICULARLY MILLENNIALS

It is estimated that millennials will make up 75% of the global workforce by 2025.¹⁷ Therefore, companies should consider this demographic's views on social and political issues before taking a stance that could backfire internally or externally.



4 HAVE A CRISIS COMMUNICATIONS PLAN IN YOUR POCKET

If you are taking a stance on a highly controversial issue, you also need a strong crisis communications plan that includes scenario planning, internal and external messages, talking points, and a reactive and proactive media strategy to handle any potential negative fallout.



5 PRACTICE WHAT YOU PREACH – TO EMPLOYEES

Corporations can enhance their standing by taking action on issues that support one of their most important constituencies—their employees. Positions on the minimum wage and employee benefits for same-sex partners are good examples of this.

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METHODOLOGY

Global Strategy Group (GSG) conducted a public opinion survey among 613 adults 18 years and older between September 26 and September 29, 2014. 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, religion, ethnicity, income, and educational attainment.



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LEAD THE WAYSM