



A Call to Action

At this time last year, the conversation in board rooms and C-suites focused on the unknown. Conventional wisdom was that companies across America were one presidential tweet away from reputational disaster. Leaders worried about how to operate in a new, and unpredictable, environment.

What we now know is that one tweet does not make or break a company. But the way in which a company responds — or in some cases doesn't respond — can either enhance or harm its reputation in ways that are both meaningful and quantifiable.

Heading into 2018, we see companies engage in the political and social discourse with more confidence — often proactively weighing in on a broader range of issues — and at a faster pace than ever before.

Today, the presidential tweet is a much smaller part of the calculation. Companies are thinking about their business in a broader context. They are determining what issues make sense to engage in, how those issues match their corporate values, and how to position themselves as responsible corporate citizens and desirable employers.

At GSG, we've been tracking corporate engagement in the political and social arena for over two decades, and for the last five years have condensed our findings into this annual Business & Politics study. What is clear, year over year, is that Americans believe companies can, and should, effect social change.

What stands out to us this year:

1. More consumers are actively seeking out information about corporate values and issue positions,
2. There is a mandate for real-time engagement, and
3. Inaction often carries a stiff penalty. Today it's no longer "safer" to sit on the sidelines.

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The New Reality

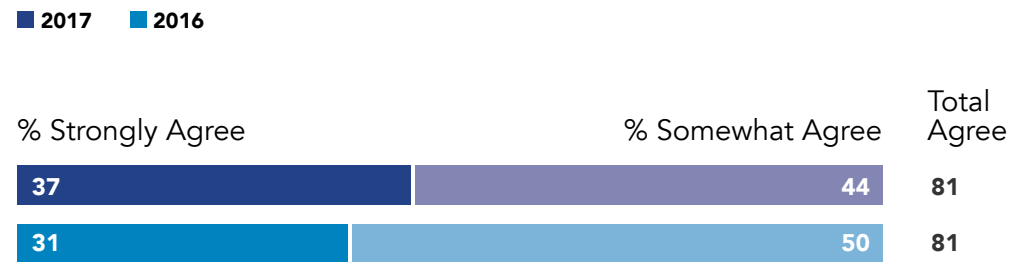
This year we have witnessed a tidal wave of activism. Fueled by uncertainty, controversy and discord, Americans are taking to the streets and to social media, connecting with each other and driving the political and social conversation in a way that is distinct from any time in recent memory.

It is no wonder then that this environment is driving new levels of engaged consumerism. With even greater intensity, Americans continue to believe that corporations should take action to address important issues facing society (81%) and have a responsibility to do so (77%).

Since last year, we have seen a marked increase in the number of consumers who are actively seeking out information about where companies stand on important social and political issues. They are visiting company websites (49%), reading news stories (40%) about companies and turning to social media platforms like Facebook (31%) to get this information. Millennials continue to be among the most proactive consumers; a plurality (42%) actively seeks out information about companies, up 11 points from 2016.

Americans want companies to take action on important issues

**How much do you agree or disagree with the following statement?
Corporations should take action to address important issues facing society**





The New Reality

Notable too is the appetite among Beltway insiders, both on measures of information-seeking and in terms of their expectations around corporate engagement and behavior.

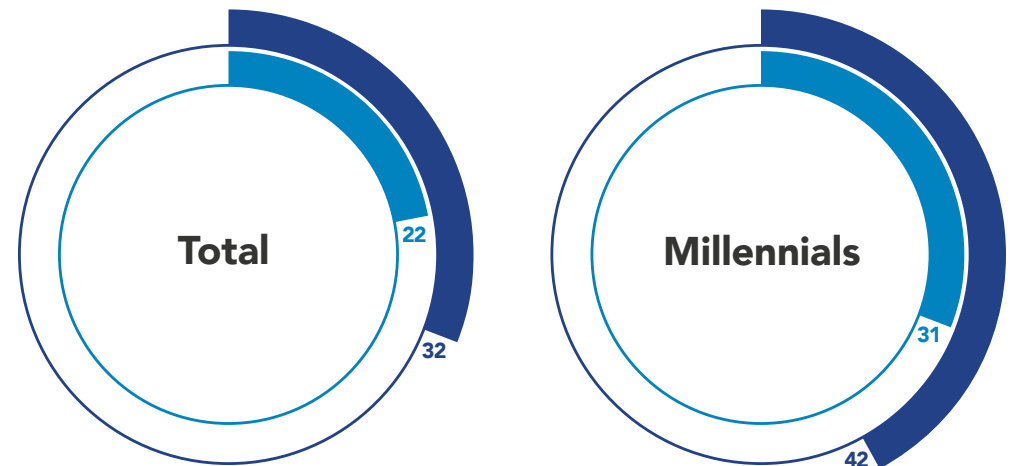
Fully 57% of DC influencers actively seek out information about where companies stand on social and political issues and 82% believe corporations have a responsibility to help drive societal change on important issues.

- > Americans feel more strongly than ever that companies should take action on social and political issues — and are actively looking for this information. There is a tremendous opportunity for companies to proactively communicate their values and make it easy for information-seeking consumers and key internal and external stakeholders to know where a company stands.

Americans actively seek out information

Do you actively seek out information about positions corporations take on important political and social issues facing society?

■ 2017 ■ 2016





The New Standard: Stand Up, Speak Out

"We do not support this policy or any other that goes against our values as a company."

— Ford Motor Company in response to the President's Muslim ban

"Salesforce believes in equality for all. We support and thank all U.S. service members, including transgender Americans."

— Salesforce in response to the President's ban on LGBTQ members in the military

These examples and many more provide evidence of a **new standard for corporations**; we are seeing companies wade into a diverse set of issues. This year, there is a growing acceptance of the range of issues on which companies can speak. Americans continue to give companies wide latitude to stand up for what they believe (70%), even when what they believe is controversial (76%). In fact, there is some evidence to suggest that beyond just tolerating controversial positions, consumers are willing to embrace it, if a company's activism is in line with their core values (66%) or impacts its bottom line (43%).

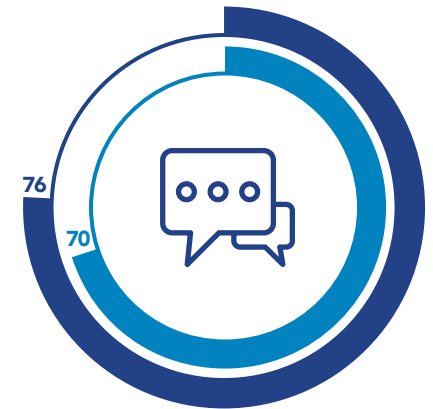
CEOs, in particular, have an important role to play when it comes to communicating on social and political issues. More than three-quarters of Americans (76%) say that CEOs have a responsibility to bring about social change on issues facing

Americans accept engagement, even on controversial issues

How much do you agree or disagree with the following statements?

% Agree

- Corporations should stand up for what they believe politically **regardless of whether or not it is controversial****
- Corporations should stand up for what they believe politically





The New Standard: Stand Up, Speak Out

society, including 37% who say they have a great deal of responsibility. This expectation is more magnified than even a year ago, when just 23% felt CEOs shouldered a great deal of responsibility to create change.

- There is a new standard today. Corporations should stand up for what they believe in, regardless if it is controversial or not. What is paramount is the ability to communicate the reason for doing so, either because it speaks to their principles and is foundational to their corporate DNA or because it has implications for their business.

Americans are willing to reward companies that stand up to Trump

As the President's approval ratings continue to sink, we find that Americans overall, and DC influencers in particular, are willing to reward companies that stand up to Trump. Not only do majorities of Americans (56%) and Beltway insiders (65%) view it as appropriate, but those companies that are prepared to take on the President are identified as good corporate citizens.

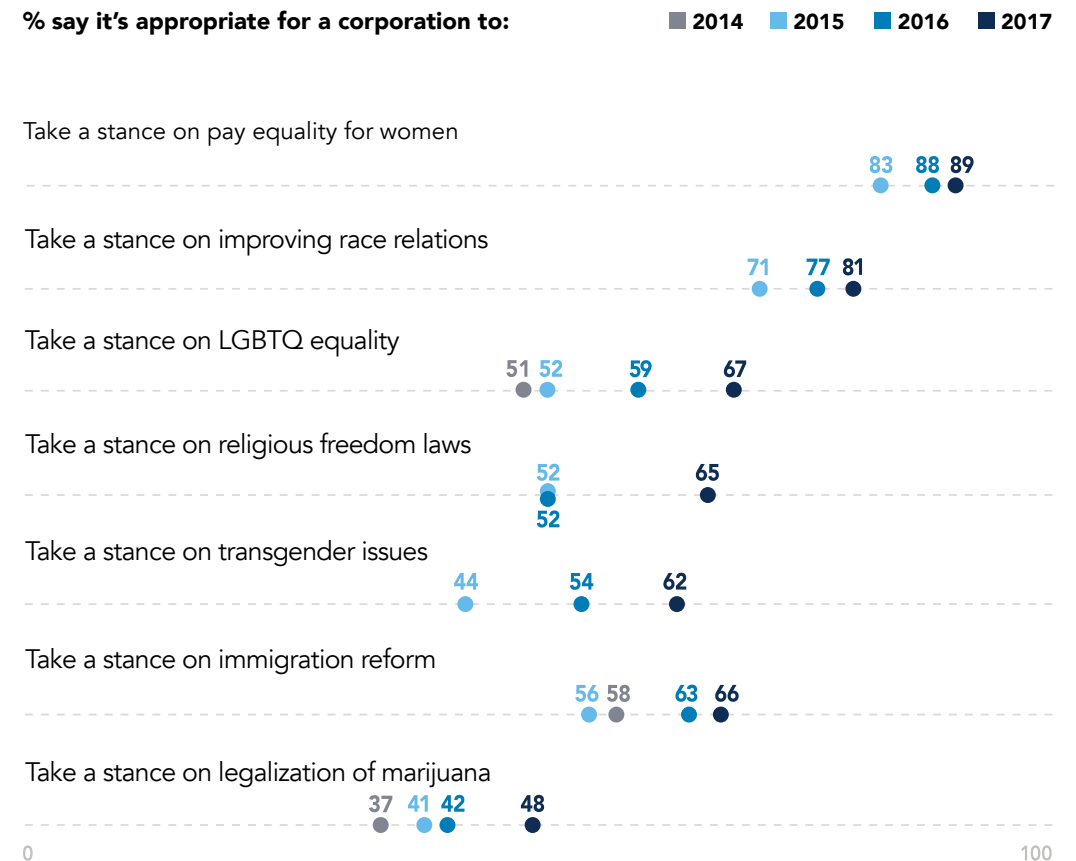
■ Adults ■ DC Elites

% Appropriate



Americans accept action on a range of issues

Thinking about specific issues, how appropriate is it for a corporation to take each of the following actions?





The Need for Speed

Today's accelerated news cycle and Americans' desire — and ability — to be constantly “in the know” has all but mandated near real-time engagement on the part of elected officials and corporations. In fact, in the wake of a current event, a majority (50%) of Americans now expect a company to respond within 24 hours, a 15-point increase in the last year. Those companies that speak out on important issues as they happen are also most likely to be viewed as good corporate citizens.

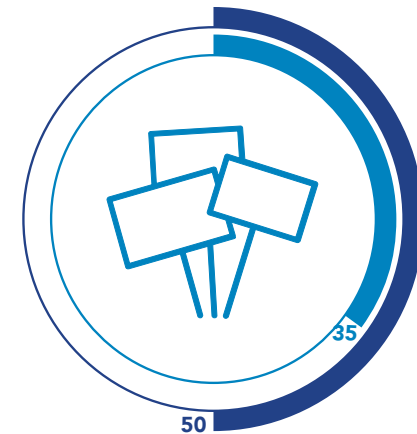
- Real time engagement is important, but so is getting it right. A company's ability to insert itself into the issue dialogue in an authentic, credible and purposeful way requires preparation. Today's corporate leaders must undertake meaningful scenario planning exercises to ensure there is a clear and consistent roadmap for whatever may come.

Increased demand for immediacy

Following a current event, how quickly do you think corporations should respond either by taking action or taking a stance?

Within 24 hours

■ 2017 ■ 2016



Expectation that companies respond to issues **as they happen**

How well does this apply to a company that is a good corporate citizen?

■ Speaks out on important issues ■ Speaks out on important issues **as they happen**



Case Study: Charlottesville and the President's Manufacturing Council

In the aftermath of the horrific violence that unfolded in Charlottesville, VA, in August 2017, the following actions occurred:

August 12, 2017

Trump makes first response to Charlottesville from his golf club in Bedminster, NJ — “violence on many sides.”



1

August 14, 2017

Merck CEO Ken Frazier resigns from Trump's business council.

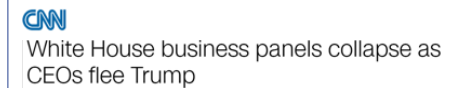
Under Armour CEO Kevin Plank resigns from Trump's business council.



3

August 16, 2017

GE CEO Jeff Immelt releases statement about resigning from Trump's business council.



5

August 13, 2017

The White House issues a clarification statement, but there is no further comment from Trump, himself.

BUSINESS INSIDER

White House issues series of anonymous statements justifying Trump's refusal to explicitly condemn white supremacists

CBS NEWS

White House defends Trump's reaction to Charlottesville

4

August 15, 2017

Trump holds a press conference where he reiterates his comment about there being violence on both sides.

The Washington Post

Trump again blames 'both sides' for violence at white supremacist rally in Charlottesville

The New York Times

Trump Defends Initial Remarks on Charlottesville; Again Blames 'Both Sides'



Case Study: Charlottesville and the President's Manufacturing Council

By 8AM on Monday morning, just two days after the horrific violence occurred at the hands of white supremacists in Charlottesville and just two days after the President's divisive remarks about the incident, the first CEO resigned from Trump's manufacturing council. In the hours and days that followed, the remaining members of the council were forced to make a decision: should they stay or should they go?

By the end of the day on Monday, two more CEOs resigned. By the end of the day on Tuesday, two more. By midday on Wednesday, four more. And just after 1PM on Wednesday, five days after Charlottesville, the President disbanded the manufacturing council. Subsequent to Trump's announcement, two more CEOs released statements announcing their departure. 15 companies said and did nothing.

What was the reputational impact of these actions and inactions? Swift and decisive, Merck was rewarded for being first out of the gate. Ken Frazier's statement rejecting hatred and resigning from the council generated a positive shift (net +22 points) in the company's favorability ratings in our survey. Companies, even those that followed in fairly quick succession, saw diminishing returns. Most notably, Lockheed Martin, a company that said and did nothing, paid a reputational price for its inaction. Not only did we see a significant negative shift (net -14 points) in Lockheed Martin's favorability rating,

but we found a majority of Americans (52%) said they would be embarrassed to work for a company that didn't weigh in. This sentiment represents a clear outlier and emerges in stark contrast to feelings about those companies that did take action; more than six of ten Americans said they would be proud to work for Merck, Under Armour and GE, who were all quick to stake their position.

➤ Immediacy is rewarded, and perhaps more significantly, there is a penalty for inaction.

Impact on Reputation

Net Fav - Unfav

■ Pre ■ Post



August 14 —
First CEO takes action in
Charlottesville aftermath,
resigns from business council

➔ August 16
Business council is
disbanded, no action taken

Good for Good and Good for Business

For many years, social purpose drove a distinct group of companies for whom sustainability, philanthropy and community were themselves at the core of those companies' missions. Now, we see a much broader swath of companies giving careful consideration to the benefits of this kind of behavior.

Driving change on important issues is, of course, good for good and companies that use their position to positively impact society are viewed as strong corporate citizens (85%). But more and more, it has also become clear that corporate engagement is also good for business.

Today, Americans are more inclined to believe — and to believe more strongly — that companies can succeed at business while also taking a stance on important social issues. In fact, nearly eight of ten Americans (78%, +6 since 2016) believe that taking a stance on an issue can actually help a company's bottom line.

› In today's environment, the need for a commitment to this kind of investment, engagement and, in some cases, activism in order to support a company's internal and external stakeholders and help bring about long-term success is critical.

Driving change is good for business

How much do you agree or disagree with the following statement?

Taking a stance on important issues can help a company's bottom line

% Agree

■ 2017 ■ 2016



“ Society is demanding that companies, both public and private, serve a social purpose. To prosper over time, every company must not only deliver financial performance, but also show how it makes a positive contribution to society. ”

— Larry Fink, Chairman and CEO, Blackrock, Inc.



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About the Study

Global Strategy Group's Business and Politics Study has become the authoritative voice on the role that businesses play in the political and social discourse and how this impacts brand perception. The study has been cited by leading media outlets such as the *Wall Street Journal*, *Harvard Business Review*, *New York Times*, *Money*, *Business Insider*, *Politico*, *BuzzFeed*, and others.

GSG conducted a public opinion survey among 807 adults 18 years and older and 303 Washington, D.C. opinion elites between November 14 and November 27, 2017. 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 that of the adult population on a series of demographic variables including age, gender, region, ethnicity, income, educational attainment, partisan affiliation, and political ideology. This study may be downloaded at globalstrategygroup.com.

About GSG's Corporate Impact Practice

GSG's Corporate Impact Practice helps corporations build and protect their brands, reframe their corporate social responsibility (CSR) programs, and manage business implications in the new political environment.

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