DO THEY MIX?

THIRD ANNUAL STUDY
JANUARY 2016
DO BUSINESS AND POLITICS MIX IN A TIME OF POLARIZATION?

Controversy is no stranger to politics. 2015 saw a number of issues polarize and deadlock Washington—and the country—on many levels. Entering into the 2016 presidential election looks to be no different. A handful of controversial candidates with backgrounds that buck the traditional presidential candidate pedigree and hardline stances on issues that already polarize Americans have so far driven the storyline of this election.

This polarized political environment has created an opportunity for others to step up and lead on issues of importance. Over the past several years, corporations have become increasingly more involved in political and social issues—taking public stances on a variety of issues such as immigration, minimum wage, same-sex marriage, the environment, and race relations.

Global Strategy Group (GSG) has closely monitored this trend over the past three years in our annual Business & Politics study, which asks Americans their opinions about the role that businesses should play in political discourse.

In our third annual study, we learned that, as in the last two years, the public still has a clear opinion about how businesses weigh in on political issues, and the positions they take. Today, Americans are overwhelmingly supportive of corporate political engagement—88 percent of respondents agree that corporations have the power to influence social change, and 78 percent agree that companies should take action to address important issues facing society. (See Figure 1).

As the Presidential campaign captures the nation’s attention, the sheer quantity of news coverage will ensure that any corporate stance or response will be heard by a national audience. But in today’s highly politicized environment, how are these corporate stances perceived? Could wading into the political fray put a corporation at odds with half the country?

This year’s study examines how brand stances on a range of issues are perceived differently by Democrats and Republicans and how this affects brand favorability. What we found has significant implications for corporate reputation and the approach corporations should take when determining whether or not to weigh in on political and social issues.

<table>
<thead>
<tr>
<th>Corporations have the power to influence social change</th>
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<tr>
<td>2015: 88%</td>
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<td>2014: 89%</td>
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<td>2013: 81%</td>
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<table>
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<th>Corporations should take action to address important issues facing society</th>
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<tr>
<td>2015: 78%</td>
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<td>2014: 80%</td>
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<td>2013: 72%</td>
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POLARIZED POLITICS AND BRAND PERCEPTION

With all eyes on the race for the White House, we took a look at how the divisions in the electorate intersect with stances corporations take. We tested the impact on their respective brands of nearly 20 different stances taken by companies in the past year. The amount to which the impact is different between Democrats and Republicans, we call the GSG Polarization Score. The higher the number, the more polarizing the issue is for the brand.

Not surprisingly, of all the stances we tested, the most polarizing one involves the most controversial figure in American politics today: Donald Trump.

In July 2015, the Professional Golf Association (PGA) moved its Grand Slam of Golf from Donald Trump’s golf course following Trump's controversial comments calling Mexican immigrants “rapists” and “killers.”

The public’s reaction to the PGA’s decision is split. The PGA’s stance scores highly with Democrats (improving the PGA brand by 28 points), but does poorly among Republicans (hurting the PGA brand by 27 points). That produces a polarization score of 55—the highest of any position we tested.

Please see page 9 for a more complete description of the above stances. FIGURE 2
Other hot-button issues follow closely behind. The next most polarizing stances represent a laundry list of topics that have divided Democrats and Republicans over the past year—guns, same-sex marriage and LGBT equality, the Confederate flag and race relations.

Like Trump and the PGA, some of these divisions are obvious. Democrats and Republicans have distinctly different reactions to Apple CEO Tim Cook’s public denunciation of the Indiana law giving businesses the right to refuse service to a customer based on their religious beliefs—producing a polarization score of 51 points.

But responses to other stances are more nuanced, like Delta’s announcement that the company would no longer transport big game animal trophies in the wake of Cecil the Lion’s death. To those on the Left, this is an appropriate response to a big news story (producing a positive brand impact score of 36 points with Democrats). But to some Republicans, it is perceived as an infringement on the rights of hunters and produces a negative brand impact score of 6 points—a 42-point gap between the parties.

Meanwhile, some issues that polarize our politicians tend to have a less polarizing effect when framed by business. For example, IKEA’s and McDonald’s positions on the minimum wage are less divisive, as the distance separating Democrats and Republicans on this issue is much smaller. This is in part because the minimum wage is a less polarizing issue among the public. But it is also because Americans feel it is much more appropriate for businesses to take positions on economic issues than social issues—especially when the issues affect their business. (See Figure 3 below.)

How appropriate is it for a company to take a stance on each of the following issues?
Exploring Polarizing Stances

The decision facing businesses like Amazon and NASCAR about the Confederate Flag last year epitomized the challenges businesses face when navigating politics in a polarized era. The issue struck at the core of race, politics, guns, and regionalism in America. NASCAR’s attempt to thread the needle—they prevented the use of the flag in official capacities but still allowed fans to fly it on their own—still polarizes the public. Just 41% of Republicans find the stance appropriate versus 69% of Democrats. Apple’s stance on same-sex marriage and the PGA’s stance on immigration are likewise polarizing amongst Democrats and Republicans.

When the two lines peak at different points on the scale it means the parties disagree on an issue—therefore the issue is polarizing. The chart below shows that Republicans think NASCAR’s position was inappropriate (indicated by the peak on the left) and Democrats think it was appropriate (indicated by the peak on the right).

Exploring Non-Polarizing Stances

Pfizer recently committed to a 60% to 80% reduction in their greenhouse gas emissions by 2050. Given the contentious political debate around climate change, the fascinating finding here is that Pfizer’s stance does NOT polarize the public. Instead, views among both Democrats and Republicans are aligned in their positive reaction towards Pfizer. How did Pfizer accomplish this? They made it about their internal commitment as opposed to wading into the political or legislative debate over the issue. Likewise, the public also sees the connection to their businesses on the NFL’s stance on domestic violence and CVS’s position on smoking and tobacco use, and therefore are not polarized in their reaction to the brand.

When the two lines are closer together, it means the two parties align on an issue. The chart below shows that Democrats and Republicans agree in their evaluation of Pfizer’s position on climate change as both groups find it to be mostly appropriate (indicated by the lines aligning).
USING POLARIZATION TO GET NOTICED

This year’s study found that the public is more aware of corporate stances on a wide range of issues than in previous years. While last year the average percentage of adults who had previously heard about the corporate stances we tested was less than 15 percent, this year that figure nearly doubled, to 29 percent.

But that 29 percent figure is still quite low. So how do companies get attention? The two companies with—far and away—the highest awareness of their positions were CVS with its ban on the sale of tobacco products (61% report having knowledge of this position) and the NFL with its domestic violence prevention campaign (59% report knowledge). Both companies drove this awareness with substantial paid media advertising campaigns, which also generated significant earned media.

Short of paid advertising, how can a company get noticed for its stances? Simply put, the higher the polarization score, the more likely it is to spark awareness. For example, NASCAR’s Confederate Flag policy has a much higher level of awareness than Pfizer’s climate change initiative. Perhaps the most well-known example of corporate polarization from recent years—Chick-fil-A’s position on same-sex marriage—has an awareness level higher than CVS and the NFL without the million-dollar ad campaign.
RECOMMENDATIONS FOR CORPORATE COMMUNICATORS

Certainly corporations take positions on political and social issues for a number of reasons—not always with corporate reputation in mind.

But if well managed from a communications perspective, taking these stands—no matter the reason—can provide an opportunity for companies and organizations to build their reputation with their audiences.

Here are four questions corporate communicators should be asking as their companies consider wading in on polarizing issues:

1. **How will you engage?**
   - While people are comfortable with corporations taking stances on issues, our study showed they draw the line at corporations and CEOs endorsing Presidential candidates, donating company profits to political parties or candidates or encouraging their employees to vote for certain candidates.

2. **Why are you engaging?**
   - The public finds it most appropriate for companies to take stands on issues that are directly relevant to their business. It is therefore important for a company to define its reasons, and share that information and rationale with its key audiences.

3. **Are you prepared for multiple communications scenarios?**
   - If you are taking a stance on a highly controversial issue, or if you are put in the middle of one, 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.

4. **When and how will you communicate your position?**
   - Awareness remains low on most stances that companies take. Because more people are getting more comfortable with companies taking stands on social and economic issues, promoting your point of view via your social media channels—particularly Twitter, Facebook and LinkedIn—and your website, blogs or other digital channels is one way to share your position unfiltered and more broadly. In addition, you can consider op-eds, advertisements, and traditional media pitches, to drive awareness and favorability.
## APPENDIX
### GSG POLARIZATION SCORES AND METHODOLOGY

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<tr>
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<td>8</td>
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**NOTE:** The “GSG Polarization Score” in the chart above is a measure of how much each stance polarized the respondents in our survey. Each stance was evaluated for its “Positive Brand Impact” (how much the stance increased a company’s favorable rating or reinforced a company’s favorable rating among its strong supporters), its “Negative Brand Impact” (how much it pushed a company’s favorable rating in a negative direction), and its “Net Brand Impact” (how much the stance decreased a company’s favorable rating or reinforced a company’s unfavorable rating among its strong opponents). The table above contains this data among all respondents, by Democrats, and by Republicans. The “GSG Polarization Score” represents the difference between the “Net Brand Impact” among Democrats and Republicans. The higher the score, the more polarizing the stance.
APPENDIX CONTINUED
CORPORATE STANCES TESTED IN 2016 SURVEY

Amazon
Amazon has banned the sale of Confederate flag merchandise from its online store by both individual sellers and by Amazon itself. The ban was announced nearly a week after the mass shooting at an African American church in South Carolina by an alleged white supremacist.
http://www.huffingtonpost.com/2015/06/23/retailers-ban-confederate-flags_n_7648614.html

Apple
Apple CEO Tim Cook, who is openly gay, publicly denounced legislation passed in Indiana and Arkansas that gives individuals and businesses the right to refuse service to a customer based on their personal religious beliefs. Writing in the Washington Post, Cook called the legislation “dangerous” because it “would allow people to discriminate against their neighbors.” Apple threatened to cease doing business in Indiana, according to Fortune, and has also signed a legal brief in support of same-sex marriage legalization.
https://www.washingtonpost.com/opinions/pro-discrimination-religious-freedom-laws-are-dangerous-to-america/2015/03/29/bdb4ce9e-d66d-11e4-ba28-f2a685dc7f89_story.html

Cheerios
Cheerios developed several commercials featuring an interracial couple and their daughter, one of which debuted during the 2014 Super Bowl. Following the launch of the advertisements, Cheerios vice president of marketing Camille Gibson, noted, “at Cheerios, we know there are many kinds of families and we celebrate them all.”
http://www.usatoday.com/story/money/business/2013/06/03/cheerios-general-mills-commercial-mixed-race-ad/2384587/

Chipotle
Chipotle became the first national restaurant chain to completely eliminate genetically modified organisms (GMOs) – which are created by inserting genes from one species of plant or animal into another – from its restaurants. Chipotle decided to ban GMOs from its restaurants because it feels that these ingredients are not raised with care for animals, farmers, and the environment.
http://www.newsmax.com/Health/Health-Wire/restaurant-chains-non-GMO-food/2015/06/09/id/649564/

CVS
Last fall, CVS re-branded itself as “CVS Health”, and stopped selling cigarettes and other tobacco products in its stores. And just this summer, CVS announced that it would resign from the U.S. Chamber of Commerce after it was revealed that the chamber was part of a broad lobbying campaign against laws that restrict tobacco products. CEO Larry Merlo said, “We’re at the forefront of what we all see as a changing health care landscape.”
http://www.cvshealth.com/newsroom/message-larry-merlo

Delta
In the wake of the controversy over big game hunting after an American killed a well-known lion named Cecil while on a hunting trip in Zimbabwe, Delta Airlines announced that it would no longer transport certain animal trophies on their flights. This makes it harder for big game hunters to bring their prizes home after hunting trips, and is designed to discourage them from hunting endangered species.
http://www.nytimes.com/2015/08/03/travel/cecil-lion-poaching-hunting-delta-airlines.html?_r=1
APPENDIX CONTINUED
CORPORATE STANCES TESTED IN 2016 SURVEY CONTINUED

Google
To address environmental issues facing urban areas, Google launched Sidewalk Labs in June 2015. The independent start-up “pursues technologies to cut pollution, curb energy use, streamline transportation and reduce the cost of city living.”

IKEA
In June, IKEA announced that it would raise the minimum wage for its employees in the U.S. to $10 an hour, and increase salaries for its low pay workers who made more than $10 an hour, in order to make sure workers could cover living costs. The Swedish furniture company announced that the new policy has produced lower employee turnover rates, and encouraged better-qualified workers to apply for jobs at the company.

LEGO
To address consumer demand for more female representation in STEM (science, technology, engineering, and mathematics) fields, LEGO has added more female “minifigures” to its newest toy sets, including female deep sea explorers, engineers, mechanics and astronauts.
http://www.businessinsider.com/legos-newest-characters-are-incredibly-important-for-young-girls-2015-6

McDonald’s
Amid national protests by fast-food workers calling for increased wages, McDonald’s CEO Don Thompson suggested his company would support legislation that raises the minimum wage to $10.10. In a follow-up statement, spokeswoman Heidi Barker wrote that Thompson’s comment “reflects our existing position on this important and evolving issue: an increase in the minimum wage would primarily affect McDonald’s independent franchisees, who would have to factor into their business models the additional expenses and the potential impact on prices and hiring decisions.”
http://www.huffingtonpost.com/2014/06/04/mcdonalds-ceo-minimum-wage-hike_n_5445539.html

NASCAR
NASCAR’s position on allowing the display of the Confederate flag at its events has evolved as CEO Brian France works to distance the sport from what he said was an “offensive and divisive symbol.” NASCAR’s policy prevents the use of the flag in any official capacity, but does not apply to fans flying the flag on their own at races.

Netflix
In August 2015, Netflix announced it will allow its salaried employees up to one year of paid parental leave after their child’s birth or adoption. Current federal law guarantees 12 weeks of unpaid leave for new parents working at companies with 50 or more employees. Netflix said the new policy was established in order to give employees the “flexibility and confidence to balance the needs of their growing families without worrying about work or finances.”
APPENDIX CONTINUED
CORPORATE STANCES TESTED IN 2016 SURVEY CONTINUED

NFL
Since a video surfaced showing former Baltimore Ravens running back Ray Rice knocking his girlfriend unconscious, the NFL has become a leading voice for domestic violence prevention with its “No More” advertising campaign. The league has aired commercials on the issue during its games, including the Super Bowl, encouraged some of the league’s biggest stars to speak out on the issue, and launched a website and non-profit dedicated to ending domestic violence.

Pfizer
As part of its commitment to combat climate change, Pfizer has reduced its greenhouse gas emissions by 20 percent since 2000, and has committed to a 60% to 80% reduction by 2050 (from 2000) that scientists indicate is needed on a worldwide basis to stabilize global temperatures. In addition to its commitment to reduce their environmental footprint, Pfizer is a proud signatory of the UN’s Caring for Climate initiative, which commits the company to set goals, develop and expand strategies and practices, and publicly disclose emissions information, in an effort to encourage other corporations to do the same.
http://www.pfizer.com/responsibility/protecting_environment/climate_change

PGA
The Professional Golfers Association of America moved its Grand Slam of Golf from Donald Trump’s course in Los Angeles, following Trump’s controversial comments on Mexican immigrants, in which he called some “rapists” and “killers,” during his campaign for the Republican nomination for President.
http://abcnews.go.com/Politics/companies-dumped-donald-trump/story?id=32162703

Starbucks
In the wake of recent killings of unarmed black men, Starbucks encouraged its baristas to write “Race Together” on the cups of coffee they serve and engage customers in conversations on race. The Seattle-based company hoped that this “Race Together” initiative would spark a national dialogue about race relations in the United States.

Target
In response to customer feedback, retail giant Target announced in August 2015 that it will start removing signs that suggest products, including toys and clothes, based on gender. The company explained its move to gender-neutral store signage as a way to “help strike a better balance.”

Wells Fargo
Wells Fargo became the first U.S. bank to run a national ad that includes a same-sex couple. A company spokesperson said the ad is “an expression of our commitment to the LGBT community at large.”
METHODOLOGY

Global Strategy Group (GSG) conducted a public opinion survey among 803 adults 18 years and older between October 20 and 23, 2015. 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.