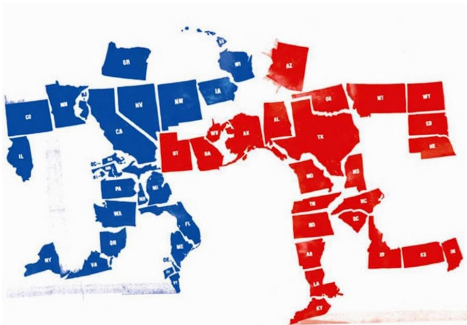




Q2 2021

“Woke Capitalism” & Its Discontents



Navigating Hyper-Activism in an Age of Disruption

WHY NOW? MEGA-TRENDS SUPERCHARGED BY 2020

TECHNOLOGICAL TRENDS



SOCIAL DISRUPTION



RISING INEQUALITY
*Tech & globalization
 rewire the economy*



**DEMOGRAPHIC CHANGE
 & CIVIL RIGHTS**
*Immigration & systemic reforms
 remake social order*



*Populists exploit fear &
 anger, erode trust*

+ CITIZEN ENGAGEMENT +



NEW MEDIA LANDSCAPE
*Audiences atomized,
 anger amplified*



NO GATEKEEPERS
*Everyone is now a publisher
 Everyone is an activist*



*Empowered citizens eager to
 vote, march, protest*

+ LEADERSHIP FAILURE =



PANDEMIC
Safety Nets Failed



**GEORGE FLOYD
 MURDER**
Institutions Failed



**ELECTION LIES &
 INSURRECTION**
Leaders Failed

CULTURAL TRENDS



POLITICAL TRENDS



In 2020
 business
 emerged as
**the most
 trusted
 institution**
 to lead on
 a range of
 societal
 issues.

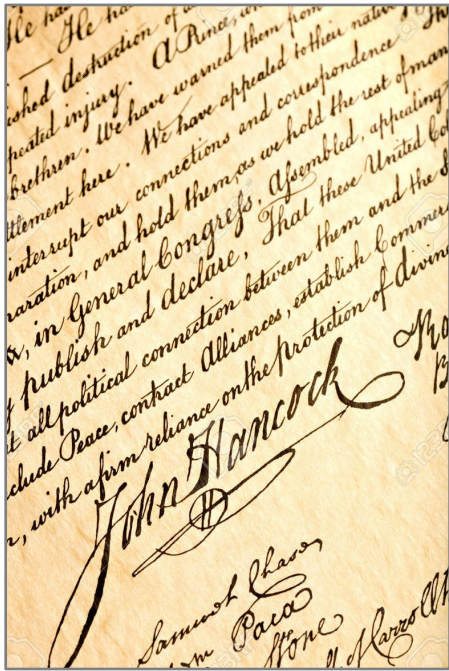


12 MYTHS & FACTS

*about Business Engagement
on Social & Political Issues*

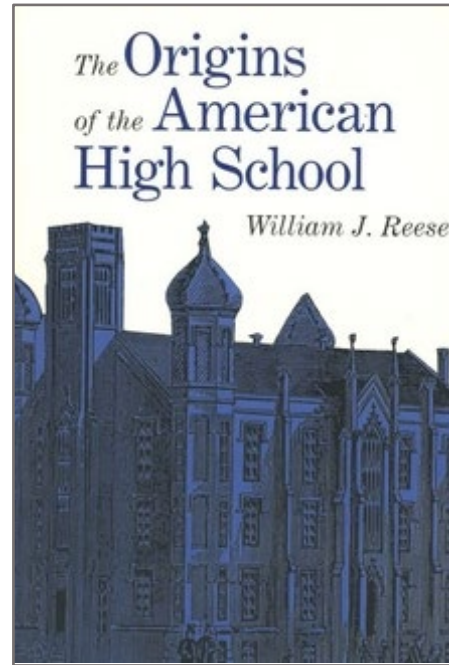
MYTH #1: TODAY'S CEO / BUSINESS ACTIVISM IS NEW

FACT: Activism is Not New... the Business of Business is America & Has Been



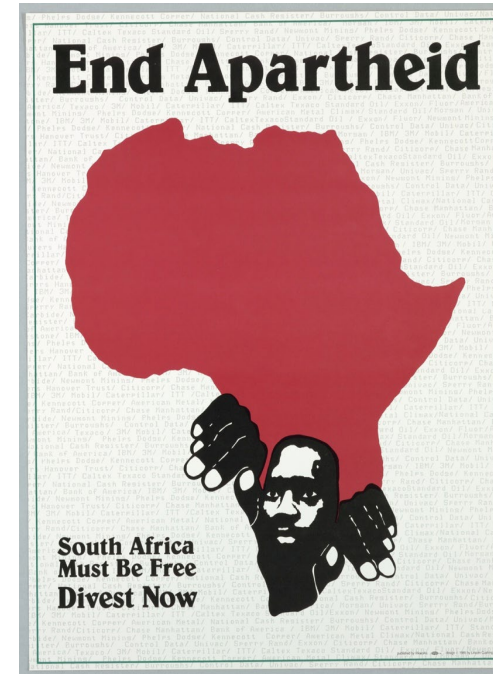
1776

More than 1/3 of men signing the Declaration of Independence were business leaders (merchants or planters).



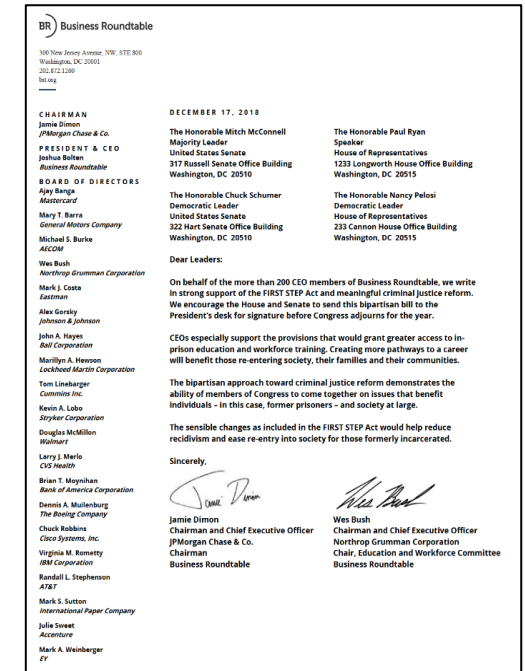
1910-1940

Business leaders' advocacy helped power the U.S. high school movement.



1985-1990

Over 200 U.S. companies cut all ties with South Africa, hastening the end of apartheid.



2018

Leaders from both parties valued BRT CEO support for the FIRST STEP Act (criminal justice reform).

MYTH #2: IT'S EASY TO DRAW LINES, PICK ISSUES

FACT: Stakeholders Will Pressure You to Engage on *Every* Issue



How & when to draw lines on the *slippery slope*?

MYTH #3: CEO ACTIVISM IS ONLY ABOUT CURRYING FAVOR WITH POLITICIANS

FACT: Many Stakeholders Want CEOs to Engage



68% of Americans think CEOs should take a stand on social issues



54% of employees globally think CEOs should speak publicly on controversial political and social issues



43% of U.S. consumers will favor the company that takes a stand on like-minded social, environmental, or political values



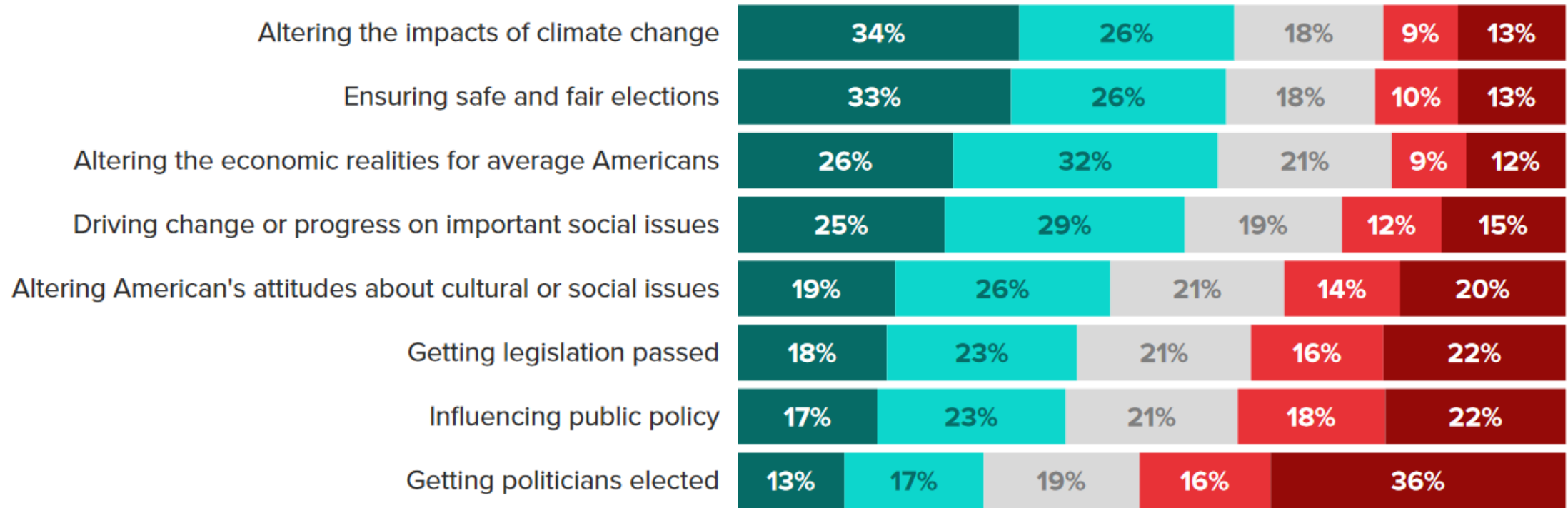
~25% of investments into U.S. stock & bond mutual funds last year went to ESG funds, up from 1% in 2014

MYTH #4: ALL BUSINESS ACTIVISM IS EQUALLY (DIS)FAVORED

FACT: Wide Divergence of Support Depending on the Issue / Goal

Corporations should act to influence:

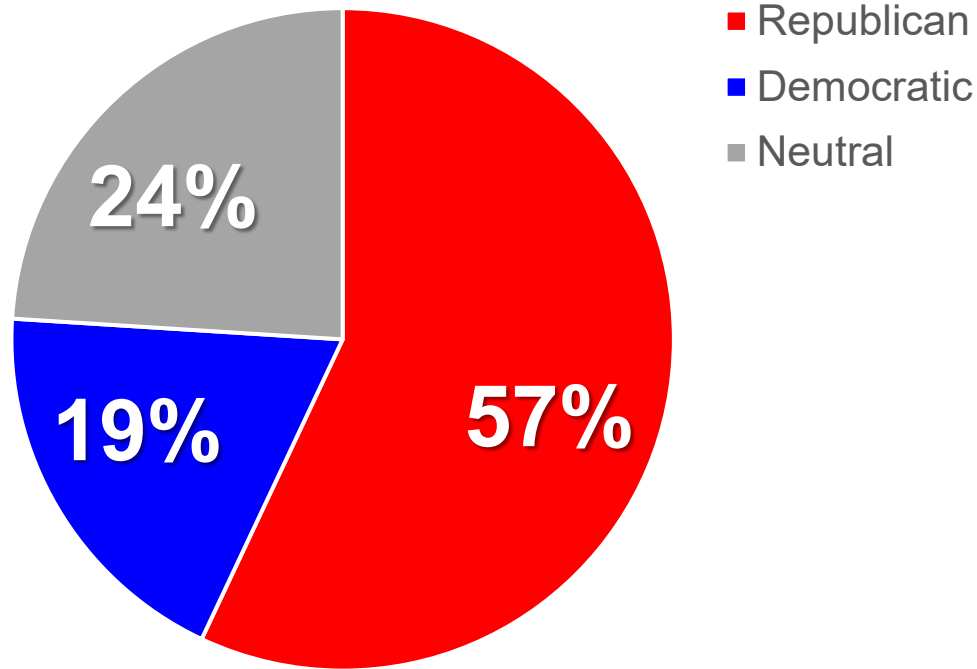
■ Strongly agree ■ Somewhat agree ■ Don't know/No Opinion ■ Somewhat disagree ■ Strongly disagree



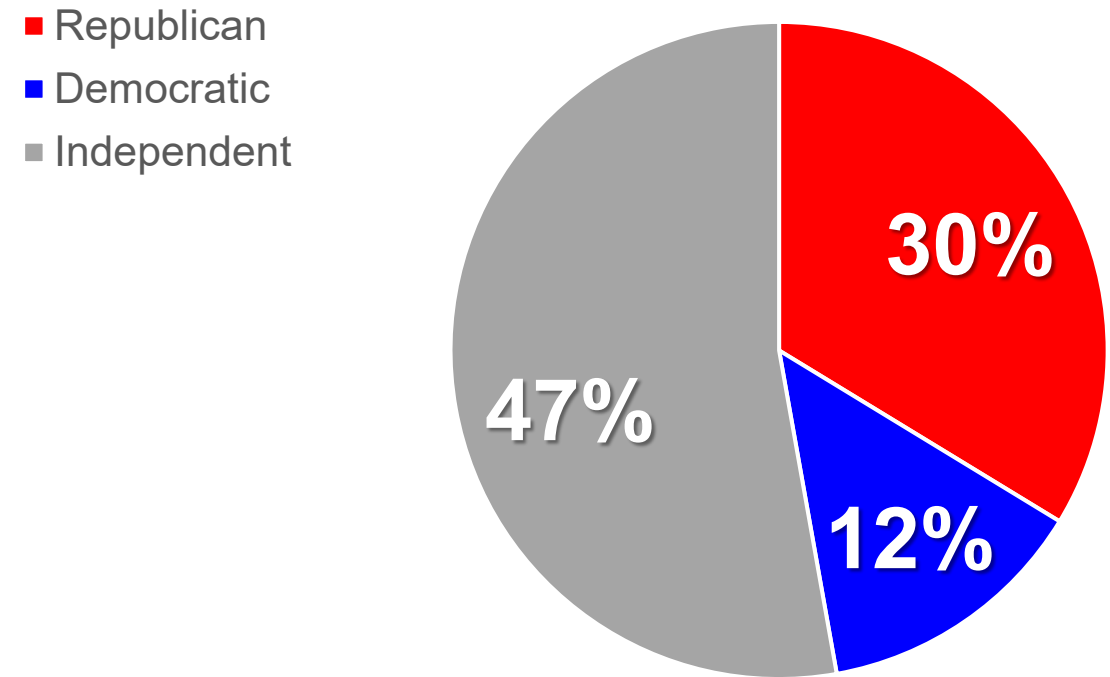
MYTH #5: MOST CEOs ARE “WOKE LIBERALS”

FACT: More CEOs Are Republicans Than Democrats

U.S. CEO Partisan Preference (2000-2017)



U.S. CEO Partisan Self-Identification 2021



Source: Cohen, Hazan, Tallarita & Weiss, [The Politics of CEOs](#), Harvard Law School Journal of Legal Analysis, (Mar. 19, 2019).

Source: [Fortune](#) annual survey of Fortune 500 CEOs, May 2021

MYTH #6: REPUBLICANS ARE THE PARTY OF BIG BUSINESS

FACT: With Progressives Driving D's Left & Populists Driving R's Right, Both Parties Challenging Business Agenda

NOT WELL-ALIGNED
WITH **DEMs** ON:



NOT ALIGNED WITH
EITHER PARTY:



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NOT WELL-ALIGNED
WITH **GOP** ON:



MYTH #7: THERE ARE NO RISKS TO “DOING THE RIGHT THING”

FACT: Activist Companies May Face Criticism for...

Inconsistency



Marco Rubio @marcorubio · Apr 1

Dear @Delta:

You are business partners with the Communist Party of #China

When can we expect your letter saying that their ongoing genocide in #Xinjiang is "unacceptable and does not match Delta's values"???

#WokeCorporateHypocrites

1.8K 4.4K 13.1K



Insufficiency



Keith Olbermann @KeithOlbermann · Mar 27

I suggested yesterday that Baseball would have to be the first practical national target if #BoycottGeorgia

@Delta has evidently replied "hold my hood."

Do not fly Delta. Do not spend money with Delta. Boycott Delta. Ruin Delta. #BoycottDelta

...and Political Opponents May Boycott or Retaliate



Casey Cagle @CaseyCagle

Follow

I will kill any tax legislation that benefits @Delta unless the company changes its position and fully reinstates its relationship with @NRA. Corporations cannot attack conservatives and expect us not to fight back.

1:02 PM - 26 Feb 2018

1,818 Retweets 4,552 Likes

7.6K 1.8K 4.6K



Mike Lee @SenMikeLee

Why does @MLB still have antitrust immunity? It's time for the federal government to stop granting special privileges to specific, favored corporations—especially those that punish their political opponents.

Rep. Jeff Duncan @RepJeffDuncan

In light of @MLB's stance to undermine election integrity laws, I have instructed my staff to begin drafting legislation to remove Major League Baseball's federal antitrust exception.

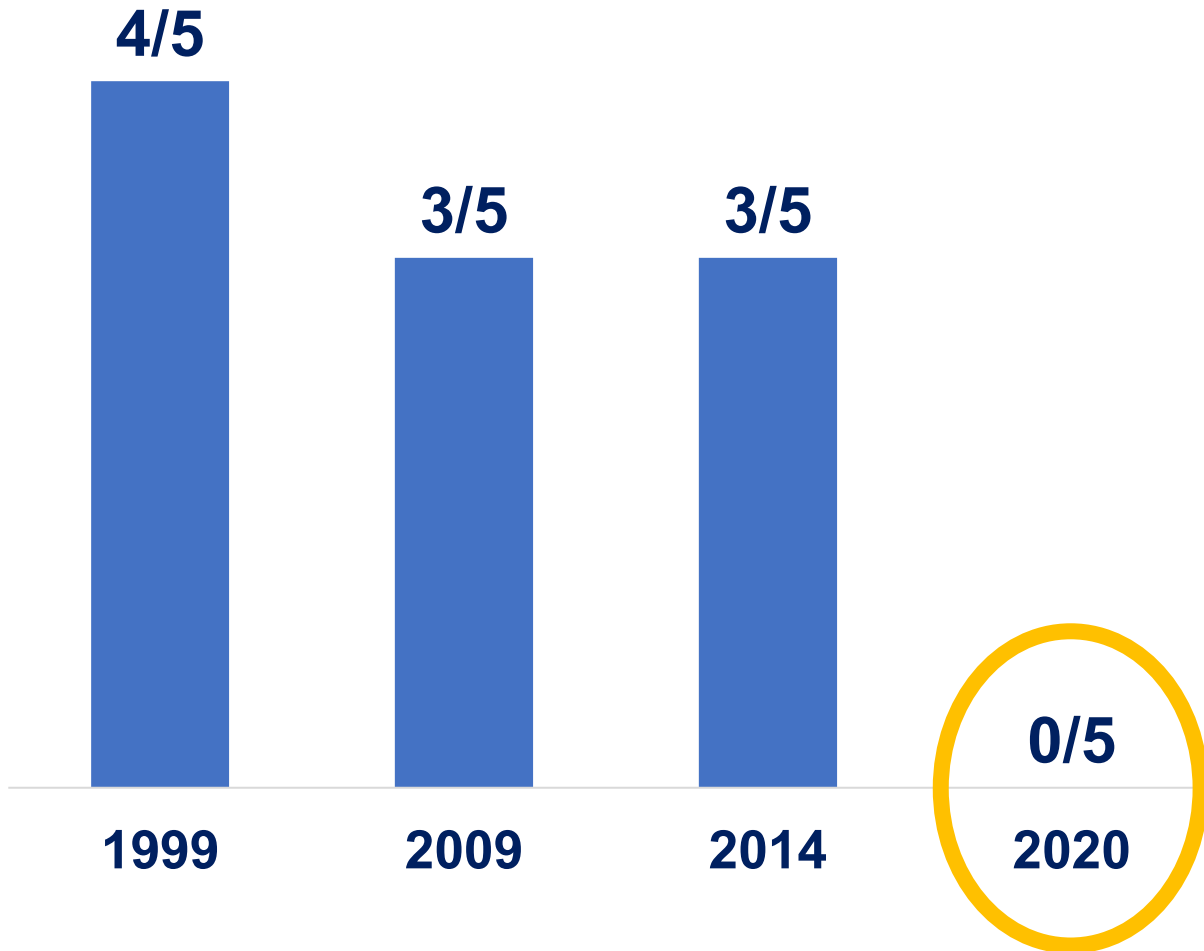
4:44 PM · Apr 2, 2021

7.6K 3.5K Share this Tweet

MYTH #8: BUSINESSES CAN STICK TO THE ISSUES IN THE MIDDLE

FACT: The Middle is Hard to Find, Harder to Hold

Shared Top 5 Issue Priorities



Democrats cite several concerns as major problems; Republicans focus on illegal immigration, the deficit

% who say ____ is a very big problem in the country today

	Rep/Lean Rep	Dem/Lean Dem	Total
Gun violence	18	73	48
Racism	19	67	45
The coronavirus outbreak	21	68	47
Climate change	14	61	40
Economic inequality	21	60	43
The affordability of health care	40	69	56
Condition of roads, bridges and other infrastructure	23	44	34
Sexism	12	32	23
Domestic terrorism	27	44	35
Unemployment	36	45	41
International terrorism	24	28	26
The quality of public K-12 schools	36	43	39
Violent crime	44	52	48
The federal budget deficit	31	71	49
Illegal immigration	29	72	48

Source: Survey of U.S. adults conducted April 5-11, 2021.

PEW RESEARCH CENTER

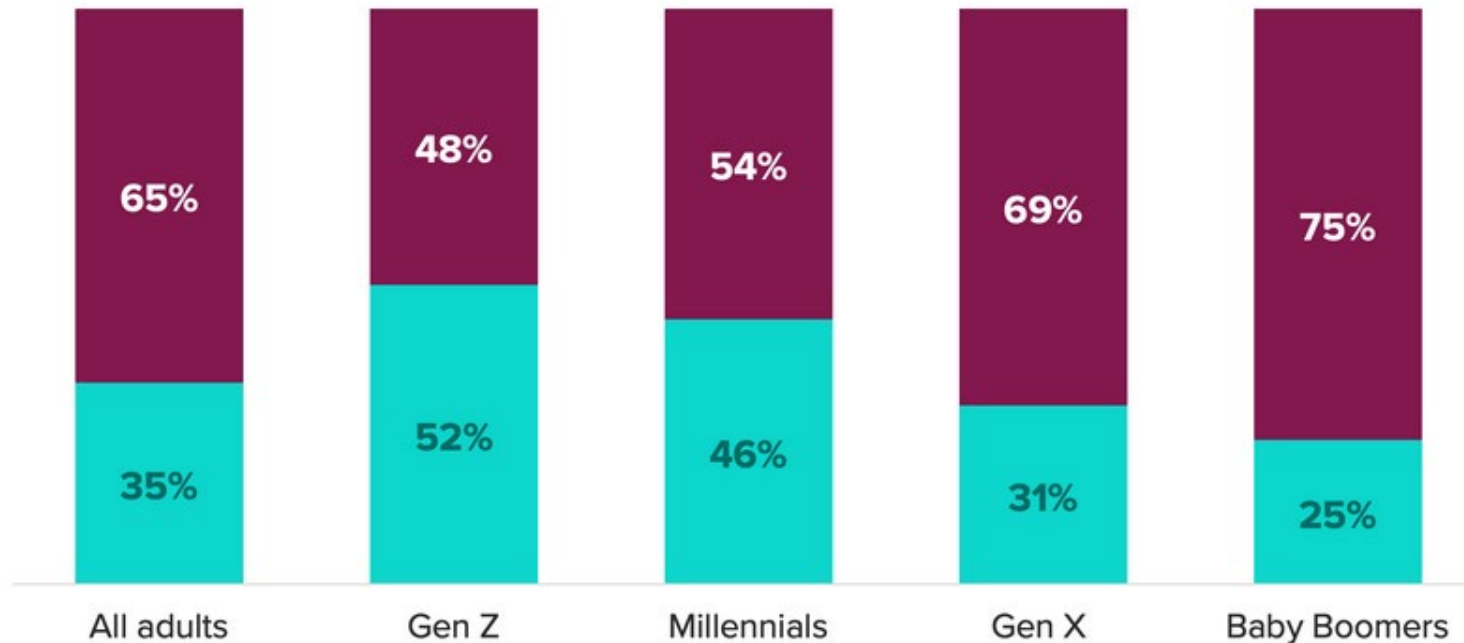
MYTH #9: ALL CONSUMERS SEE CEO ACTIVISM THE SAME

FACT: Younger Americans Favor CEO Activism Most

Which of the following statements comes closest to your view, even if neither is exactly right?

■ CEOs play an important role in society, and they should use their influence to impact political, societal and/or cultural issues

■ CEOs should stick to what they do, and not get involved in political, societal and/or cultural issues



MORNING CONSULT

Poll conducted from January 4-5, 2021, among 2,200 U.S. adults, with a margin of error of +/-2%.

MEHLMAN CASTAGNETTI
ROSEN & THOMAS

MYTH #10: TRUMP VOTERS WERE A FRINGE MINORITY

74,224,319 U.S. Consumers Voted to Reelect Donald Trump... Why?



Concern that Globalization Harms > Helps

Many Americans bemoan the “hollowing out of the middle class” as businesses outsourced >2M U.S. manufacturing jobs to China & low wage nations via “free trade”



Fear the New Economy Is Leaving them Behind

Many Americans feel disrupted by the knowledge economy; they see their “fly-over states” getting left behind by the “super star” technology and investment elites on the Coasts



Anger at “Political Correctness” / Elite Condescension

Many Americans feel under attack for being proud of their country & lifestyles (God, guns & football) and resent “elitist” condescension by the media and liberal politicians



Profound Disagreement with “Socialism”

Many Americans strongly disagree with the policies offered by some on the Left (e.g. defunding the police, decriminalizing the border, ending fossil fuels, higher taxes)

MYTH #11: MEDIA COVERS CULTURAL ISSUES DISPASSIONATELY

FACT: Controversies Make the Best Copy, Narratives Get More Clicks



Navigating New Media Realities

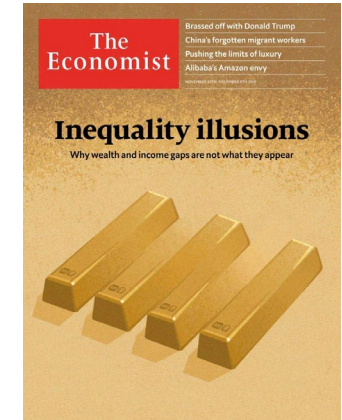
NARRATIVES > FACTS

SPEED > ACCURACY

OUTCOMES > OBJECTIVITY

MYTH #12: THIS IS A UNIQUELY AMERICAN CHALLENGE

FACT: Businesses Face Pressure from Activists and Politicians Around the World... and It Will Only Get Harder



RECOMMENDATIONS

*For Business Leaders Engaging on
Social & Political Issues*

DECIDING WHETHER / WHEN TO ENGAGE

Key Considerations

BUSINESS & BRAND IMPACT

- Does engagement align with our strategy, values & vision? Does silence misalign?
- Does the issue impact our business or have a clear nexus to our sector? (*Patagonia*)
- Are our customers overwhelmingly on one side & likely to support our action? (*Nike*)

STAKEHOLDER IMPACT

- Are our employees mostly on the same side & urging action / leadership?
- Has our employee family been directly impacted by the issue? (*UAL-Parkland; DACA*)
- Is there a clear nexus to the local community with our headquarters? (*Coca-Cola; Delta*)



COMMUNITY STATUS

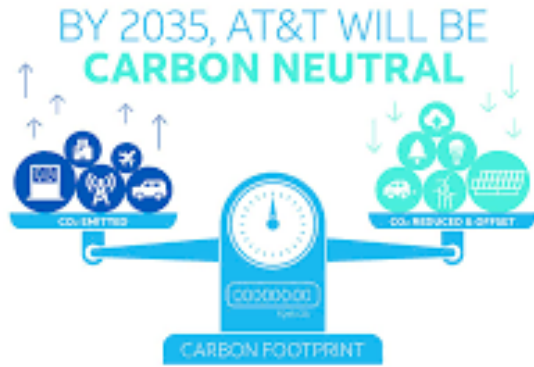
- Would our absence stand out among peers & competitors?
- Are we at greater risk of reputational harm from doing too much or not doing enough?
- Who are the groups on each side of the issue & how does “punching power” compare?

EFFECTIVENESS / CREDIBILITY

- Can we make a difference by engaging alone? With others?
- Are we doing more to solve the problem than mere statements? (e.g. *JPM \$30B*)
- Do actions here highlight hypocrisy elsewhere, forcing additional actions (e.g. *Cuba, China*)?

ACTIONS SPEAK LOUDER THAN WORDS

How You Treat Your Own Stakeholders > Your Social Issue Advocacy



Join us in offering paid time off to vote!

★

HOW TO ENGAGE

There is No Formula... But There Are Best Practices

1. **Be True to Your Word & Values**. Speak truthfully, follow through on promises & uphold professed values. Trust is the most important attribute for brands and leaders.
2. **Resist reflexively rushing-in**. Understand the policies you're being asked to support / oppose, taking the time to hear both sides, and when in doubt... pause to consider.
3. **Build a diverse team & consistent process**. Establish a replicable process with the same group of diverse senior advisers (identity & ideology) who scenario plan in-advance. Social media & boycott pressures force thinking "fast," but these calls are best made by thinking "slow," informed by prior planning.
4. **Find safety in numbers & wisdom in crowds**. Coordinate with other business leaders to increase odds of success & decrease risk of backlash.
5. **Inoculate in advance through meaningful stakeholder engagement**. Build trusting relationships with liberal, conservative & civil rights stakeholders via sustained ESG, CSR & other efforts. Your every-day actions speak louder than words.
6. **Ensure employees are heard**. Maintain internal groups (eg LGBTQ@co) to solicit feedback, explain decisions & ensure workers know you care about their opinions, even if you won't always do what they want.

For future slides: bruce@mc-dc.com

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