
Rethinking Corporate Social Responsibility

A Fleishman-Hillard/National Consumers League Study

WHITE PAPER

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Founded in 1899, the National Consumers League is the nation's oldest consumer advocacy organization. Its mission is to protect and promote social and economic justice for consumers and workers in the United States and abroad. The National Consumers League is a private, nonprofit advocacy group representing consumers on marketplace and workplace issues. NCL provides government, businesses, and other organizations with the consumer's perspective on concerns including child labor, privacy, food safety, medication information, and issues of social concern including corporate social responsibility.

NCL President Linda Golodner serves on the Board of Directors of the American National Standards Institute. She is also a member of the U.S. delegation to the International Standards Organization's Working Group on Social Responsibility, serving as the U.S. consumer expert in developing a new international standard on social responsibility. For more information, visit the National Consumers League Web site at www.nclnet.org.

PRINCIPLES, PROFITS, AND POLITICS

Shifting American Attitudes on Corporate Social Responsibility

In late 2006, Fleishman-Hillard Inc. and the National Consumers League prepared for the second annual survey of Americans' perceptions of corporate social responsibility against the backdrop of sweeping national political change following the 2006 midterm elections. Democrats had captured both chambers of Congress as well as many governorships across the country. For the first time in more than six years, a greater percentage of Independents voted with Democrats, helping to turn the tide against incumbent Republicans.

While there was no question that the election centered on voters' views of the Iraq war, we speculated that an underlying frustration over domestic issues contributed to such great political change. For the first time, Americans paid more than \$3 at the pump for a gallon of gas. Their health care costs continued to skyrocket, and our 24/7 news cycle churned out scandals of greed and corruption in corporate America. Living in this post-9/11 and post-Katrina world, Americans — almost daily — feel insecure. We captured this sentiment in last year's survey. Respondents said that treatment of employees and being active in communities were the two most important criteria for defining a company's corporate social responsibility record. The results indicated that Americans view a company's performance from three angles: as an employee, investor, and consumer.

In the wake of the November 2006 elections, we wondered whether Americans were viewing corporate social responsibility from a fourth perspective — as a voter. If one thinks about it, Americans interact with companies daily, they get in their Camry, and drive to Starbucks before they go shopping at Wal-Mart. So on any given day, a consumer can choose to visit a company's competitor for the same product or service. However, Americans' primary interaction with government is finite — expressed through the ballot box at designated times. This year's survey, therefore, investigates Americans' perception of corporate social responsibility based on political party affiliations. We also used the survey findings to determine whether Americans expect government to play a role in realigning corporate America's priorities and values with their own.

We identified several compelling themes that appeared throughout the data. In particular, a substantial majority of Republicans, Democrats, and Independents believe that:

1. The American public's priorities appear to be out of alignment with corporate practices.
2. U.S. corporations do not act responsibly.
3. Government should be involved.

These major themes lead us to believe that "red" and "blue" Americans are more unified in their expectations, attitudes, and beliefs about corporate America's conduct than most people might think. An overwhelming majority of Americans, regardless of political ideology, are not happy with corporate behavior, perhaps, because they believe that their priorities do not align with corporate conduct. These findings paint a far different picture of a company's responsibility to society than the model laid out by Milton Friedman nearly 40 years ago. He said that a company's only responsibility to society is to increase its profits.

While both Democrats and Republicans have high expectations of corporations in their own communities, we found that there exists significant differences between them, in terms of the information sources they trust most to help shape their opinions of corporate behavior. The survey findings suggest that the battle for corporate reputation eventually will be won or lost online. Democrats are more likely than Republicans to go online, as well as to visit online social networks, such as MySpace, blogs, and podcasts. Perhaps even more significant is the fact that the voting block "in play" in next year's elections — Independents — are more likely than members of the Republican party to say that they would use online sources to learn more about the social responsibility record of a particular company in their community. These findings suggest that for companies to protect their reputation, their story will need to be told online — in places where they have no control of their message.

Our survey findings lead us to believe that Americans have reached a tipping point with their expectations of — and frustrations with — business. So much so, that they are now willing to have government step in to help realign corporate behavior with the values and priorities that they value.

The rest of this paper takes a closer look at these findings.

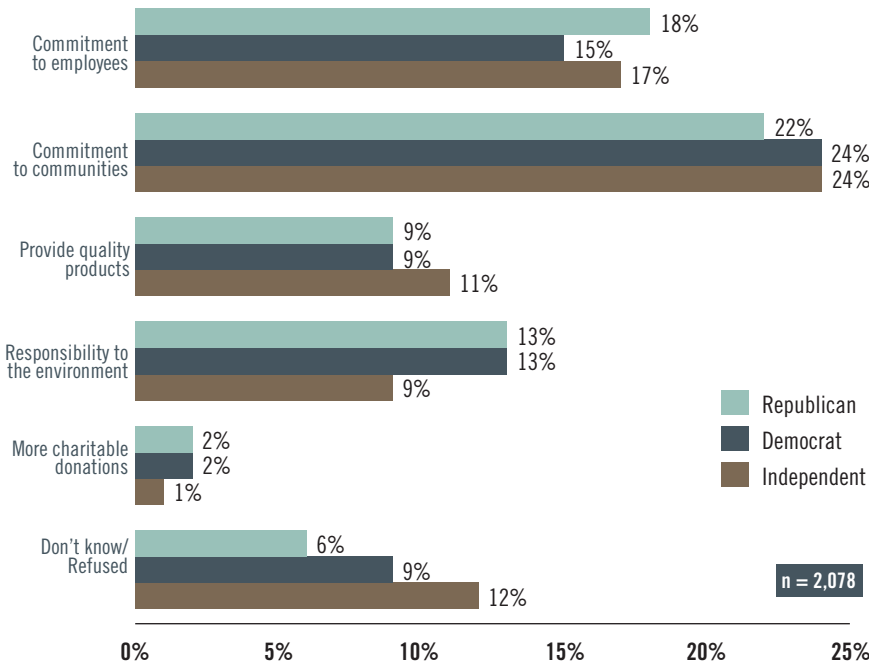
1. PUBLIC'S PRIORITIES APPEAR TO BE OUT OF ALIGNMENT WITH CORPORATE AMERICA

Overall, 80 percent of Americans expect companies to be actively engaged in their communities. This finding spans the political spectrum, with 80 percent of Republicans and Independents as well as 83 percent of Democrats sharing this belief. When asked to define corporate social responsibility (CSR), Americans stated:

1. Commitment to the public and communities
2. Commitment to employees
3. Responsibility to the environment

(See Figure 1.1.)

Figure 1.1: Meaning of “Corporate Social Responsibility”



NOTE: Not all responses shown. See report.

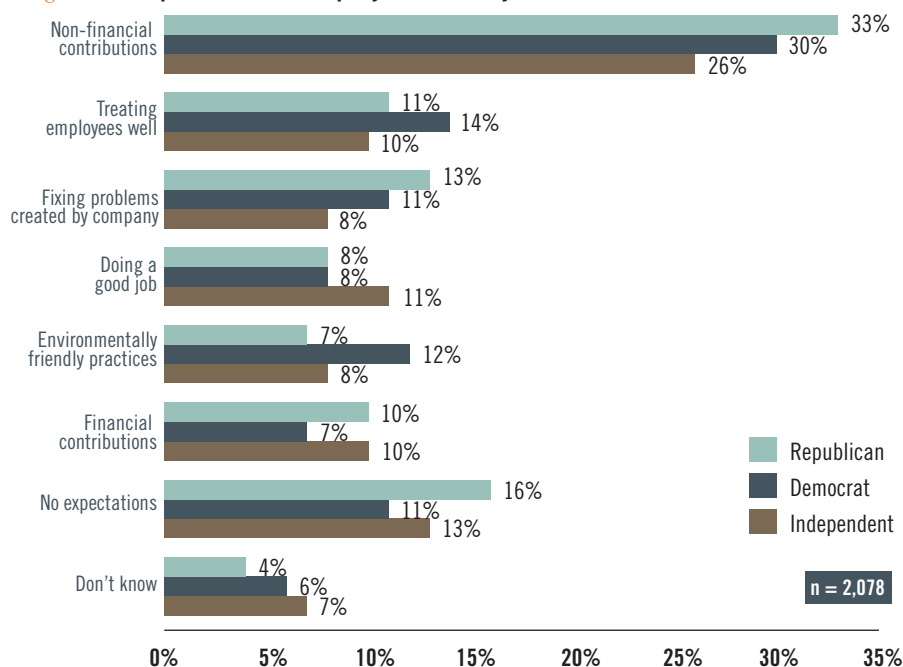
Commitment to the Public and Communities

In our 2006 survey, this finding ranked a close second behind treatment of employees as being the most frequent way in which consumers defined CSR. In this year's survey, we wanted to probe deeper with this finding to determine how Americans define public commitment. The most striking finding was that nearly three times as many respondents volunteered nonfinancial contributions by companies in their community as an expectation than financial contributions. While monetary contributions remain critical, Americans prefer that contributions be coupled with a company's donation of its time and expertise. This ratio of nearly 3-to-1 nonfinancial contributions over financial was also shared among Republicans, Democrats, and Independents. (See Figure 1.2.)

Commitment to Employees

As noted above, commitment to employees was the most frequently cited definition of CSR in last year's survey. At the time of that survey, a series of well-publicized job layoffs occurred on a nationwide scale, leading us to believe that they may have contributed to the prominence of this finding. However, even without the influence of massive job losses this year, employee-related concerns still ranked a high second in our 2007 findings.

Figure 1.2: Expectations of Company's Community Contributions



NOTE: Not all responses shown. See report.

The steady ranking of this response indicates that the meaning of CSR, for most Americans, still begins with a basic concept: Companies should treat their employees well. It's as if Americans are saying that if employers cannot treat their own "family" members right, how can they be viewed as a good neighbor.

It is, perhaps, interesting to note that people identifying themselves as Independents placed a greater concern for treating employees right (in other survey questions) than did Democrats and Republicans.

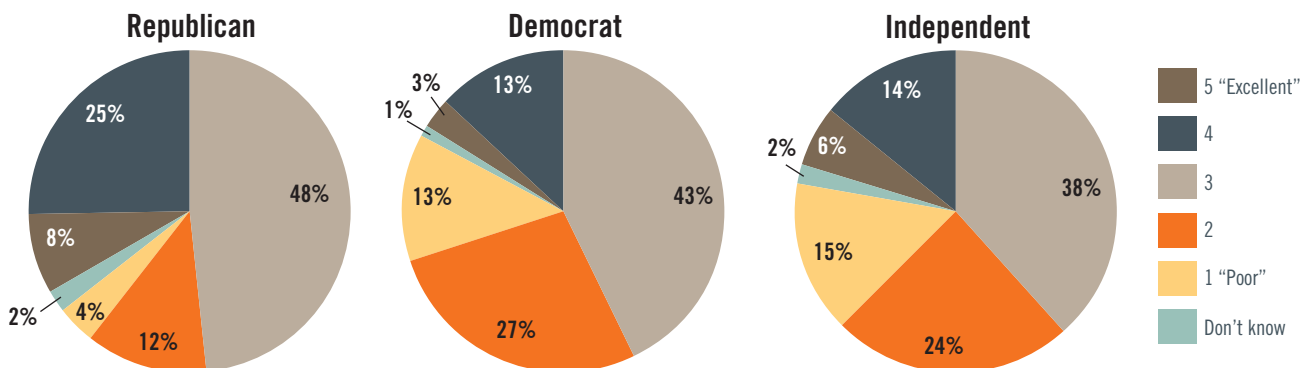
Responsibility to the Environment

Media interest in environmental issues, such as global warming, carbon offsetting, and sustainable development, has grown daily during the past year. Just consider the number of stories covered in major national publications in the first quarter of 2007: *BusinessWeek*, *TIME*, *Business 2.0*, *Forbes*, *Fortune*, *Newsweek*, *Fast Company*, and *Vanity Fair*. Even *Sports Illustrated* did a story on global warming. Despite the constant drumbeat of green media, Americans still ranked responsibility to the environment third, in terms of how they define CSR.

While Americans did express a slightly heightened concern for the environment compared with last year's survey responses, the extensive media — and corporate — focus on environmental issues in the media and by corporations does not fully reflect what Americans say they want from U.S. companies. There is certainly an undeniable growing interest among consumers, investors, and government. They expect companies to operate with greater environmental awareness, but it's important that companies don't shift their focus to environmental stewardship at the expense of maintaining their commitment to people and communities. Perhaps not surprising, Democrats were more likely than Republicans and Independents to view the environment as being the most important social issue.

These priorities reflect our thesis that a majority of Americans want corporate America to adjust its behavior. We believe that Americans see these three priorities (commitment to the public, commitment to employees, and responsibility to the environment) as being complementary and consistent with the notion that corporations have a responsibility to treat well their employees and the communities in which they reside.

Figure 1.3: American Perceptions of U.S. Corporations' CSR Performance



2. THE PUBLIC THINKS CORPORATIONS DO NOT ACT RESPONSIBLY

Only 5 percent of Americans thought that U.S. companies are doing an excellent job in acting responsibly. Conversely, more than 75 percent of surveyed Americans rated the social responsibility of U.S. companies as being either fair or poor. Again, this finding cuts across the entire political spectrum. In all, 83 percent of Democrats, 77 percent of Independents, and nearly *two-thirds* of Republicans (64 percent) gave U.S. corporations either a fair or poor rating. (See Figure 1.3.)

Perhaps more surprising was the fact that substantial majorities of Republicans, Democrats, and Independents shared similar views on the need for some type of independent rating to help them assess a company's behavior. Sixty-six percent of Republicans, 85 percent of Democrats, and 79 percent of Independents stated that global standards were either extremely or very necessary in order to judge the social responsibility of corporations. (See Figure 1.4.)

It is also interesting to note that a greater percentage of Democrats and Independents said that their purchasing decisions would be influenced by how well a company adhered to some type of standard.

As we might expect, Republicans do not share the same view as Democrats and Independents when asked to compare the social responsibility of European companies with that of their U.S. counterparts. Republicans were significantly more likely than Democrats and Independents to rate U.S. corporations higher than European companies.

Similarly, Democrats and Independents were both significantly more likely than Republicans to rate European companies higher than U.S. companies. Interestingly, Americans' top priority — employee treatment — closely mirrors their European counterparts' workforce experience. While our findings do not permit us to draw conclusions, it is interesting to note that primarily because of more government involvement in the private sector, Europeans tend to enjoy greater employment security than do Americans.

Figure 1.4: Importance of Global Standards for Social Responsibility

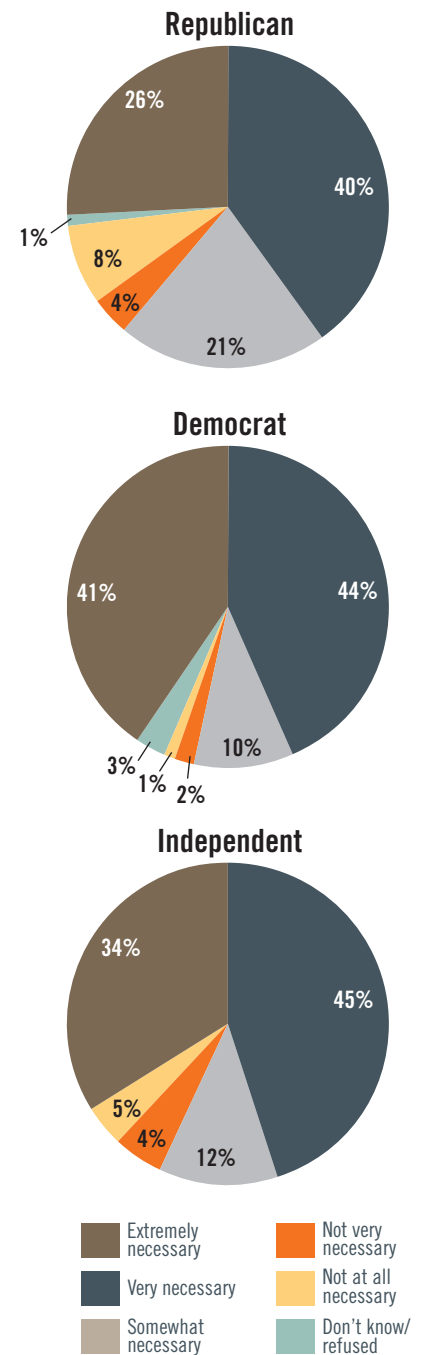
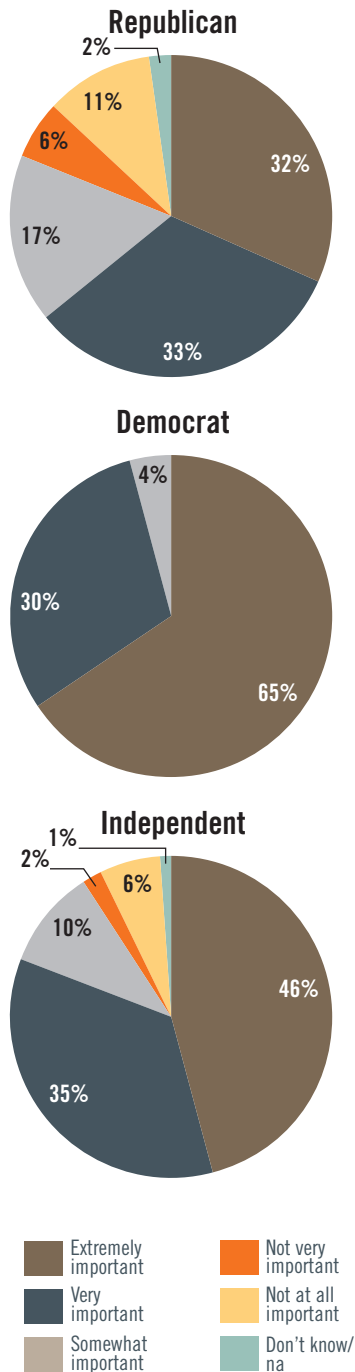


Figure 1.5: Congress Should Intervene



3. AMERICANS WANT GOVERNMENT TO BE INVOLVED

Our survey found that 82 percent of Americans want Congress to ensure that companies meet their social responsibilities. What is surprising, however, is the fact that nearly two-thirds (65 percent) of Republicans, an overwhelming majority of Independents (81 percent), and nearly all (95 percent) Democrats said that it is either very or extremely important for Congress to ensure that corporations help solve social issues.

(See Figure 1.5.)

Americans' priorities and values appear to be out of alignment with business. Americans do not think that companies are acting in a socially responsible fashion, and they expect an external force to help ensure that companies meet their social responsibilities. In the previous section, we noted that a majority of Americans are looking for some type of external or independent means by which to view a company's behavior. In this section, it appears that Americans are also willing to have some independent force, in this case government, align companies' behavior more closely with their own.

Additionally, despite their political differences, a majority of Republicans, Democrats, and Independents agree that the pharmaceutical and chemical industries need more government oversight to ensure that they are operating in a socially responsible manner. And a large percentage of Republicans and Independents agreed with a majority of Democrats stating that the food and energy industries need additional government oversight.

In addition to the industries listed above, it should be noted that in all of the surveyed industries (13), Democratic respondents wanted more government oversight than did Republicans and Independents to ensure that companies meet their social responsibilities, including:

- Technology
- Telecommunications
- Retail
- Automotive
- Agribusiness
- Transportation

These findings reinforce the fundamental tenant of our findings: Americans do not approve of corporate behavior and now seem willing to use government as a means to realign priorities.

4. MYSPACE OR YOUR SPACE: AMERICANS INCREASINGLY VISIT ONLINE SOCIAL NETWORKS FOR CSR INFORMATION

Overall, the survey found that the Internet is now the leading information source for a majority of Americans who want to learn about the social responsibility record of companies in their communities. Of those respondents using online resources, 73 percent have used Internet search engines, like Google or Yahoo!; 57 percent have used Web sites of independent groups; and almost 50 percent have used corporate Web sites. Furthermore, more than 25 percent of respondents who use the Internet to obtain CSR information are specifically turning to online social networks, such as blogs and podcasts. This latter finding represents a 100 percent increase over last year's results.

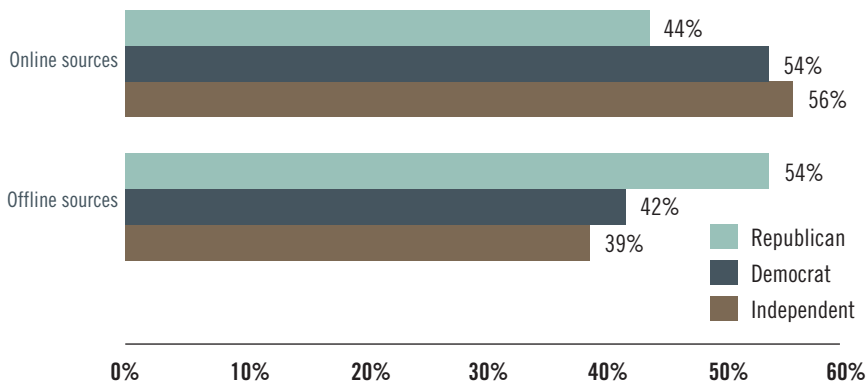
The survey also indicates that sharp differences exist when analyzing the results based on party affiliation. Republicans and Democrats gather information about a company's performance by using a number of different mediums.

Republicans prefer offline sources and traditional media as a means to learn more about the social responsibility record of a particular company.

Democrats and Independents prefer online sources, more specifically, independent Web sites; and prefer to visit online social networks, such as blogs, podcasts, MySpace, and Facebook.

Moreover, our survey found that Independents tend to be more tech savvy than either Democrats or Republicans.

Figure 1.6: Preference of CSR Sources



Specifically, Independents prefer to start a blog and participate in online discussions to discuss a company's product or service and to visit user-generated video-sharing sites, such as YouTube.

Related, we found sharp differences with whom Republicans and Democrats trust to help them either shape or validate their view of corporate behavior.

Democrats are somewhat more likely than Republicans to view government officials as being credible. Perhaps somewhat counterintuitively, Republicans are more likely than Democrats to view frontline employees as being credible.

The communications implications for the business community are enormous. The survey shows that the trend to shape or form views on corporate behavior is moving online. In this medium, our survey shows that Democrats are far more likely than Republicans to prefer and use the Internet when communicating and seeking out noncorporate voices —on blogs, podcasts, and MySpace. Furthermore, the survey shows that Independents are more likely than Republicans to use video-sharing sites, such as YouTube.

Conclusion

Our analysis of last year's survey indicates that Americans wore three different hats when viewing corporate behavior: as an employee, investor, and consumer. The elections last November reminded us that Americans could, potentially, wear yet another hat — as a voter — to express their views on corporate behavior.

As such, we wanted to structure this year's survey, through the lens of party affiliation, to identify any similarities or differences that Americans may have with regard to corporate behavior. Americans used the 2006 elections to express their views on the Iraq war. However, our findings also suggest that an overwhelming majority of Republicans, Democrats, and Independents are displeased with corporate behavior in recent years. Based on these findings, perhaps the November elections signaled a greater desire by the American public for government to step in and realign corporate behavior.

Looking forward, and based on this survey, the stakes for the business community in the 2008 elections will be high. We believe that political differences between Republicans, Democrats and Independents examined in this survey lie not in the direction of change but in the pace of change. If these strongly held attitudes remain high, we believe that the American public will send a message on November 4, 2008, that will reinforce — not reverse — Americans' determination to use government as a means to realign corporate behavior according to their values.

In this type of political climate, companies will be required to act and communicate differently if they are to protect their image and minimize the public's desire for government intervention. And in the battle for the hearts and minds of the American public, companies will have to communicate more with them online, especially on such social networks as blogs, MySpace, and YouTube. These are places where companies cannot control their message.

About the Study

In 2006, Fleishman-Hillard partnered with the National Consumers League (NCL) to conduct a second annual survey to benchmark evolving consumer attitudes toward corporate social responsibility, as well as consumer behaviors in response to CSR. The survey also tracked the role that media and technology play in informing people about what companies are doing to be socially responsible. In the first quarter of 2007, the professional interviewing service, Western Wats, conducted a quantitative survey with 2,078 U.S. adults nationwide through telephone interviews, averaging almost 30 minutes in length. The sampling error for the survey results reported is plus or minus one to two percentage points at the 95 percent confidence level.

