The Relationship Among NGOs, Government, Media and Corporate Sector

Proprietary Research by Strategy One and Edelman PR Worldwide

Richard Edelman
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A Very Different Macro Picture

- Perceived failure of government to keep up with globalization of business
- Seattle WTO as wake-up call – networked direct action
- Shell/Brent Spar and Monsanto/GM Foods show failure of old model of persuasion
- Pyramid of authority gives way to circle of cross influence
- Must speak to consumer throughout entire process

Tremendous Opportunity In Proper NGO Relationship Management

- Employees – the secret advantage of motivation cross borders
- Customers – assurance they are buying the right product
- Financial community – position as smart company
- Government – seeks reinforcement of regulation positions
- Our experience to date is positive
  - Chiquita – Rainforest Alliance
  - Home Depot – Forest Stewardship Council

NGOs: Why They are Winning

- They play offense all the time
- They take their message to the consumer
- They are ingenious at building coalitions
- They always have a clear agenda
- They move at Internet speed
- They speak in the media’s tone

Methodology

- Survey of 600 European (UK, Germany, and France) and 200 Australian “Thought Leaders” October 2000
- Probe trust, favorability, credibility on five key issues

Our Research Hypotheses

- Low trust/confidence in government and business gives NGOs credibility – NGOs have halo effect
- NGOs skip elite media and go straight to the consumer through web, popular press, TV
- Business is unsuccessful because they talk science rather than human issues
There Is Sense of NGO Positive Momentum and High Degree of Awareness of NGOs

- No discernible difference in awareness across continents
- Real feeling of increased influence over the global agenda

Familiarity With NGOs

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<th>U.S.</th>
<th>Australia</th>
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<td>Not At All Familiar</td>
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Increased Influence

Approximately 75% of Americans, Europeans and Australians feel that NGO influence has increased significantly over the past ten years.

What the World Agrees On – NGOs Are Most Credible Source On Environmental, Social Issues

- Government, corporations, media lag behind
- Our explanation – NGOs seen as selfless crusaders with specific expertise

NGOs Dominate Big Issues in Terms of Trust

Source Credibility: U.S.

- NGOs
- Media
- Large Corporations

Environmental, Human Rights, Health
“Trust To Do the Right Thing” – A Real Difference by Continent

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Note that NGOs top-rated in trust except in US

“Trust To Do the Right Thing” – A Brand Evaluation Shows Big Gap

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<td>Microsoft</td>
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Note that most trusted brand is NGO except in US

Business, NGOs Have Comparable Favorability Except in US and France, Much Ahead of Government and Media

- Biggest disparity between US and France with business rated highly in US and poorly in France. NGO rating as mirror image
- Government and media lag except in Germany

Why the Large Perception Gap

- US generally more conservative and has benefited from unprecedented boom – business has made us wealthy!
- Major European health issues (“mad cow” disease, Coca-Cola recall, dioxin) have negative impact on credibility of government and business
- Role of FDA and trust in regulatory process versus vacuum in Europe

Major Difference in US Versus Europe/Australia on Brand Favorability

- Corporations are ahead in favorability and trust to leading NGOs in US while in Europe/Australia, NGOs are well ahead
- Top NGO brands much less highly ranked in favorability and trust in US
  (Greenpeace at 33% in US, 59% in Germany)
  (Amnesty International at 28% in US, 67% in Europe)
- Controversial companies do much better in favorability ratings in US than Europe/Australia
  (Monsanto at 25% in US, 4% in Europe)
Country Differences On NGO Brands

- UK rates Oxfam and WWF most highly
- Amnesty International and WWF have highest ratings in France
- Germany rates Greenpeace and Amnesty International as top "brands"
- US rates WWF and Sierra Club
- Australia rates Amnesty International, Greenpeace

Favorability: U.S.

Favorability: UK

Favorability: Germany

Favorability: France

Favorability: Australia
NGOs and Media

- New Adage: “He who is most confrontational gets the most coverage.”
- International media is looking for a powerful villain; business is playing right into that
- Television drives this debate through effective use of emotion

"owns" the environment for the media

NGOs Powered by Media Coverage

- Explosion of media coverage for major NGOs
- Nearly quadrupled coverage since 1996

The Situation Could Change Quickly in US

- Bush Administration seen as significantly less responsive to environmental and social agenda
- NGOs have more credibility in US on specific issues (environmental and social)
- Americans tend to be less sympathetic to business in recessions
- Potential “catalytic event”
- But we doubt NGOs will ever have as dominant a position in US as in Europe/Australia

NGOs Now Super-Brands

- Globalization provides new markets for ‘dominant’ NGOs
- NGOs now have to market themselves like any other brand
- Business has to change to win – adopt NGO best practices
- Need custom solutions by region/market – cannot have a simplistic global view
- Will cooperation with business lead to subversion of NGO credibility?
- Which of tomorrow’s NGOs should businesses be tracking?
- Will attitudinal gap between US and rest of world be maintained?

The Rationale for Cooperation by Business—A Matter of Trust

- Not a matter of legal or financial pressure in most cases
- Deep discomfort on part of employees—key in booming economy
- The Economist, April 20, 2000: “A company that is not trusted by its employees, partners and customers will suffer. In an electronic world where businesses are geographically far from their customers, a reputation for trust is even more important.”

Implications for Consumer and Trade Stakeholders

- Consumers seek relationships, not simply transactions
- Power of boycotts—Nike, McDonalds—consumers want to know how product is made
- Credibility—requires outside certification of proper behavior
- Consumers must also be informed during approval process—not disaster on GM Seeds with Monsanto
- Now a matter of informing multiple stakeholders simultaneously
“Smart Zone” Behavior by Companies

- Tony Long of World Wildlife Fund describes this as operating above the legal compliance curve and higher than the public acceptance curve.
- BP now positioned as an energy company, not oil company—agrees that cutting auto emissions is proper policy—BP stock trades at considerable premium to EXXON.
- If the minimum level of acceptable behavior is moving, be ahead of regulation so you can appear consistent while gaining consumer confidence.

Corporate Responsibility as Key Part of Business Strategy

- Bob Hormats, vice-chairman, Goldman Sachs: "Establishing the dialogue with NGOs that have issues relevant to your company is a bottom line issue for Wall Street.
- Responsible shareholder value optimization—shareholder interests include social and environmental goals—cannot sit on the sideline.
- The value of a code of ethical behavior that is practical and enforceable around the world because different cultures have their own mores—a minimum standard is needed.

What Smart Companies Do

- Have affirmative program to identify NGOs interested in your issues.
- Reach out to moderate elements to forge relationships.
- Try to have positive agenda that leads your industry.
- Be prepared to fight in the event of extremism.

Working With NGOs

- Rainforest Alliance transforms banana industry in Latin America in partnership with Chiquita—pesticide use curtailed, worker safety standards implemented, plastic bags recycled, brand certification.
- Leading player in category can change industry practices—note certification of wood products by Forest Stewardship Council for Home Depot.
- Clear evidence of compliance—branding—important to consumers, trade.

Other Ways to Work with NGOs

- Consulting—willing to advise on societal trends, discuss values.
- Technical Expertise—keep thorough lists of chemicals, side effects.
- Recognition—assisting industry in maximizing benefit with employees.
- Example—WWF work with Unilever to set up Marine Stewardship Council to guarantee sources of sustainably managed fisheries.
Why NGOs Should Be Challenged

- NGOs do not have a monopoly on virtue or guarantee of accuracy
- Established NGOs are being outmaneuvered by newer, more radical entities which refuse compromise
- Financial Times, Sept. 20, 2000: “In the search for publicity, NGOs risk losing credibility. Their growing power has led to accusations of scaremongering, unaccountability and pursuit of a single issue at the expense of the broader public good.”

How to Tackle Hostile NGOs

- Use similar tone/tactics as NGOs—use advocacy language
- Bring in technical experts but offer a human face as well
- Use new media aggressively—Internet chat room monitoring, active posting of material
- Make clear to all publics that the company seeks to compromise, that the NGO does not have the moral high ground
- Invite NGOs for discussions—amplify relationships with centrist NGOs—make sure they are part of the solution, that they have a stake in the outcome
- Horst Teltschick, chairman of BMW foundation, “Be proactive as a company in three directions: as a business, in politics and in social life.”

The NGO Challenge—Ideal Ground for Public Relations

- Failure of Legal Approach—perception that global rules for protecting corporate interests are stronger than those guarding social standards
- We understand how to mobilize credible third parties and to operate in a multiple stakeholder environment
- We can move with necessary speed to market—in a Internet dominated media framework, fast response is critical
- We can forge relationships with NGOs in advance to build level of trust

Final Thoughts

- Crisis of confidence in government and corporations provides opening for NGOs
- NGOs are here to stay and are a real force
- Create ways to partner—set gold standard for corporate citizenship before problems arise
- Use transparency as ally—communicate with all stakeholders simultaneously
- You can fight back if ground is properly prepared