

EVENT TITLE: Navigating Election Year Politics

EVENT DATE: 6/26/2024

EVENT TIME: 8:00 a.m. ET

PROGRAM SUMMARY:

The world we live and work in has become increasingly fractured but also more intertwined. Corporations are being pulled into debates over political and social issues by their employees, customers, and other stakeholders. With Election Day just months away, public scrutiny of corporate policies and communications will likely grow more intense, requiring boards and management teams to be ready to defend themselves.

The views of a company's various stakeholders are often at odds with each other and may run counter to the company's stated mission and values. This NACD panel discussion explored whether corporate directors should ever enter the fray and the reputational stakes involved in doing so.

Should companies take a public position on a controversial issue at a time when silence is often interpreted as taking a side? For leadership teams that are not battle-tested communicators, silence may be golden, given the risks of a public statement backfiring and the indefinite lifespan that controversial statements can have online. But whatever a company's PR comfort level, the leadership team must begin with a formal and carefully thought-out communications policy that establishes a process for how any public statement would be considered, drafted, and issued.

That process should address at least four central questions: 1) Does the proposed statement align with the organization's purpose and core values? 2) Is there reputational risk associated with not speaking? 3) Can the organization meaningfully influence the issue by speaking out? 4) Does the issue directly impact the organization's primary stakeholders? If the answer to at least three of the questions is "yes," the organization has a strong case for making itself heard.

When an organization does decide to make a statement, the leadership team should understand that it will set a precedent by doing so. Not only will stakeholders expect public statements regarding other issues, the organization also will likely be pressed to update or even amplify its original message as the issue in question evolves. In the case of thorny and seemingly intractable political questions, this may require the management team to try to stay ahead of an endless public debate with, at best, diminishing marginal PR returns.

But for retail- and consumer-oriented companies with high-profile brands or a strong culture, silence might not be an option. For those companies, any void resulting from inaction is likely to elicit opinions from external parties, be it in the form of a tweet or an activist campaign. Such companies should, first and foremost, take the pulse of their employees and understand what is important to them. Where an issue is seen as fundamental to the organization's mission, the leadership team may be obligated to take a public stance.

Whatever the issue, the organization must be clear, concise and consistent in its messaging. Waffling is the unpardonable sin, be it the result of trying to keep every stakeholder happy or having too many spokespersons with insufficient communications controls. Similarly, when a CEO speaks openly and honestly about personal opinions and experiences, those are likely to be interpreted as reflecting company policy unless there are explicit disclaimers to the contrary.

It is important that different teams, from sales to government relations, be able to weigh in regarding potential statements. This can be especially important if, for example, a company is headquartered in a blue state but has extensive operations in red states, resulting in a delicate balance of obligations toward diverse stakeholders. Still, the board needs to dictate the process and have the final say.

For public companies that lack formal communications guidelines in this area, the compensation discussion and analysis (CD&A) included in the annual proxy statement might serve as a helpful model for creating a framework to address social issues. The planning process should reflect an acknowledgement that, even if the company has never spoken out before, it may feel compelled to do so at a later date

in response to a social issue. The time for identifying core principles and ironing out procedural wrinkles is before that day arrives.

Once a plan is in place, boards will need to ensure that the primary spokesperson, typically the CEO, is comfortable in that role and is adequately prepared. Taking a stand on any issue can put a target on both the spokesperson and the organization. When a company speaks out on matters seemingly irrelevant to its mission, it can invite scrutiny of all its business practices, including financial performance and shareholder returns.

KEY TAKEAWAYS:

- Before making any public statements on behalf of your organization, establish a formal communications policy that reflects the group's core values and identifies a process for considering and drafting such statements.
- Boards should consider four key questions: 1) Does the proposed statement align with the organization's purpose and core values? 2) Is there reputational risk associated with not speaking? 3) Can the organization meaningfully influence the issue by speaking out? 4) Does the issue directly impact the organization's primary stakeholders?
- Don't shoot from the hip. All public statements should be vetted internally and reflect a strong consensus of the directors.
- Companies that lack experience with public communications should not underestimate the skill and planning required to run an effective PR or IR campaign.
- A tabletop exercise or mock interview is a good way to pressure-test a draft statement and ensure that the spokesperson could handle a barrage of follow-up questions.
- With Election Day just months away, and with so many unknowns, apart from the likelihood of increased vitriol, companies that are not actively engaged in public communications campaigns should wait and reassess their priorities after the election.

MODERATOR:

Micho Spring, Senior Advisor, Weber Shandwick

SPEAKER:

Steve Barth, Senior Partner, Foley & Lardner

Diane Hessian, Founder and Chair, C Space

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