

ANALYSIS

BUSINESS AND POLITICS: WHEN SHOULD COMPANIES TAKE A PUBLIC POSITION?

By Thomas A. Cole¹

Those of us who lived through the 1960s hear a loud echo of those turbulent times in the challenges of the current decade.

The '60s were a time of war and protests, assassinations, racial discrimination and the fight for civil rights and against environmental pollution. The decade began and ended with recessions. Many of our current challenges are, unfortunately, the same—with some new complexities, such as gun violence, the climate crisis and (of course) the pandemic. On top of that, social media and a far more polarized political discourse have heightened emotions and detracted from the quality of debate.

Another difference between the '60s and today is the greater prominence and power of corporations, with businesses [now viewed](#) as more competent and ethical than both governments and the media. Employees and consumers are paying more attention to corporations' policies and practices when deciding where to work and what to buy. And corporate social responsibility is broadly accepted as a legitimate pursuit of public companies, at least so long as there is a reasonable nexus to long-term shareholder value.

All of this raises several questions in the minds of those who think about corporate governance: What does this sea change mean for organizational leaders in terms of addressing social issues, particularly political ones? And what are the best practices for companies considering taking a stand?

Should organizations and their leaders generally take a public stand?

Given the factors described above, it is becoming something of an expectation for CEOs to issue personal statements or for their companies to issue statements and take action on social, environmental and political issues. For example, a stunning number of corporations, executives and others signed the ["We Stand for Democracy"](#) statement that appeared on April 14 as double full-page ads in *The New York Times* and *The Wall Street Journal*.

Taking positions on political issues has generated more pushback than position-taking by corporations on social or environmental issues. However, some argue that in an age when every subject is politicized (think of mask-wearing), it is hard to say what is not "political." Correspondingly, in these fraught times, silence is often construed as a statement. And then there are the more broad-brush assertions—that democracy is good for business and even necessary to preserve capitalism; thus, taking political positions that support democracy is good for corporations and their stakeholders.

There are also some assertions against taking a stand on political issues. "[A]nnouncements on purely political issues will alienate many...employees and customers," argued Harvey Golub, former American Express Co. chair and CEO, in a *Wall Street Journal* [opinion piece](#). He also believes that there is "no limiting principle" when CEOs comment on issues unrelated to their businesses; when CEOs comment on one concern, they open the door to being called on to comment on all social concerns. And as Home Depot co-founder [Ken Langone said](#) in support of the company's cautious statement on voting rights, "If America is about as evenly divided as it appears it is, you're going to piss off one side or the other [of] your customers." (Interestingly, Arthur Blank, another Home Depot co-founder, was a signatory of "We Stand for Democracy.") It is notable that many who oppose CEO and corporate political speech do not seem to oppose corporate political contributions or CEOs publicly endorsing and raising funds for individual candidates for office.

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How can boards and CEOs decide whether their organizations should speak out on specific issues?

Board members, CEOs and other company leaders may see key opportunities—or imperatives—to speak out on political and social issues in the coming months and beyond. Board members should help CEOs understand that they should expect to have a discussion with, at least, the leadership of the board before either the CEO or the corporation takes a position on a controversial political issue. That discussion might start with weighing the above arguments for and against taking a position and deciding which they find to be most compelling.

If the company or individual is still considering taking a position after this, the board and CEO might engage in a traditional corporate social responsibility analysis to reach a rational business judgment about whether taking a particular position is to the long-term benefit of shareholders. For controversial issues (political or otherwise), this means netting the costs of blowback against the benefits of speaking out.

Benefits can include positive reactions from important constituencies, such as employees and customers, and avoiding negative reactions that might result from silence. Speaking out responsibly can also burnish a corporation's general reputation. On the other hand, not all constituencies will have the same reactions, and the implications of that should be considered.

To help guide this decision, boards and CEOs would also benefit from a thoughtful consideration of the following questions:

- Is silence a real alternative? That is, will the CEO be asked for his or her view on an analyst call, in an employee town hall meeting or otherwise, and if so, is a “no comment” response viable?
- Can a statement be crafted to take a responsible position in a non-incendiary fashion? (This was the path taken by corporations arguing for voting rights without making a specific attack on the new Georgia voting-related legislation.)
- Is joining a statement by an ad hoc group of companies or a business organization (such as the Business Roundtable) a preferable and feasible alternative to having the company speak out alone?
- What are the plans for the release of the statement both internally and externally? So that the company may speak with one voice and do so effectively, have individuals been designated as the only people authorized to respond to questions and concerns, and are these individuals well prepared to do so?
- If the statement is critical of a specific piece of legislation or articulated governmental policy, does it fairly represent the substance of that legislation or policy?
- Is a statement, without additional action on the issue, going to be enough—or will it expose the company to assertions that it is “all talk”? Are there actions the company can take or existing efforts it can highlight in support of the issue?
- Does the proposed position align with the company's expressed values and culture?
- Are other actions by the company going to be viewed as inconsistent with the statement, exposing the company to being challenged as hypocritical?
- If it is determined that it is not in shareholders' long-term interests for the company to take a position, can the CEO nevertheless speak out personally?

Not every CEO or board will conclude that their corporation should take positions on controversial political issues or other social topics. For those that do, following good governance practices will help ensure that taking a position can be defended as an exercise in appropriate corporate social responsibility.

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