

## Why do NGOs like WholeFoods and Ikea more than Walmart or Apple?

July 2017

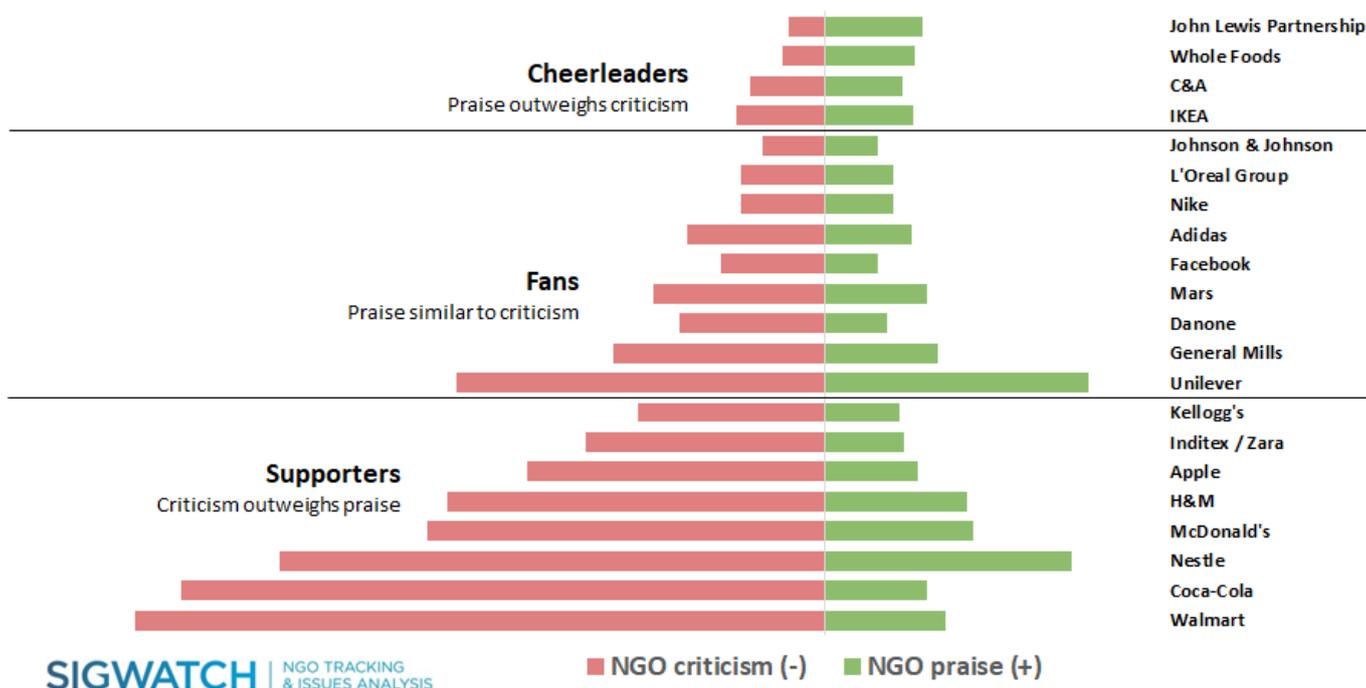
NGOs are much more discriminating about corporations than they used be. Many NGOs now accept that business can be a force for good as well as bad. It is no coincidence that a growing number of major corporations are willing to engage constructively with NGOs and their concerns, rather than rejecting them out of hand.

Since 2010 SIGWATCH has been collecting data on how NGOs praise and criticize corporations. Although criticism is still the default setting for NGOs when they talk about business, we find NGOs increasingly prepared to reward firms with praise when they do things they like, such as change company policies, or lead their peers in tackling important social and environmental issues.

However NGOs' new-found goodwill is not distributed evenly across all engaged firms. Some get more praise than criticism, others get about the same of both, while a third group still gets much more criticism than praise.

### Leading corporates ranked by net difference in NGO praise & criticism 2012-2016

*NGO criticism and praise values are calculated by scoring NGO comments and actions about firms, taking into account their sentiment, prominence and NGO influence.*



This chart comparing 22 major firms regularly praised by NGOs, ranks them according to difference in total praise and total criticism received from NGOs during 2012-2016. What is striking is firms are in the same category comparing praise and criticism also share other characteristics, such as the extent to which they are aligned with NGO agendas.

The ‘more praised than criticized’ group includes WholeFoods, the UK’s John Lewis Partnership, and Ikea. These three brands are known for closely tracking and even anticipating NGO concerns, especially those around climate and the environment. We call them “Cheerleaders” for this reason. Interestingly, this category also includes less obvious candidates such as the fashion house C&A, thanks to its efforts to address social and environmental conditions in its supply chain.

The second group, ‘balanced praise and criticism’ is also aligned with NGOs, but significantly less so than the Cheerleaders. We call this second group the “Fans”. Unilever, which has led the way in engaging seriously with NGO issues, along with L’Oreal, Johnson & Johnson, Nike and Adidas are all Fans by this definition.

Given that Fans include sustainability pioneers like Unilever, why do they get significantly more criticism in proportion to praise than Cheerleaders? One reason is that they all have large environmental footprints, so they can never be wholeheartedly embraced by NGOs. Another is that as the largest players in their sectors, NGOs expect them to lead by example (over the course of a campaign, NGOs will often start by criticizing Fan companies, and end by praising them once the campaign has successfully changed their policies).

The third group, ‘more criticized than praised’, are aligned with NGOs relatively weakly. We call them Supporters. While these firms have made noticeable progress in addressing NGO concerns, for various reasons, often to do with legacy issues, they still attract a lot of criticism.

Supporters often attract criticism from some NGOs while being praised by others, simply because different NGOs are pursuing different agendas. Where there are irresolvable issues, some criticism therefore never goes away and may indeed be quite strident (eg. Coca-Cola and diet, Walmart and market dominance, and Apple and labor standards).

Comparing how NGOs see different corporates helps reveal some important underlying truths. Not only does it show how successfully firms are dealing with NGOs (and timelines can demonstrate changes in real-time), but also, how exposed firms could be to future campaigns (NGOs definitely let Cheerleaders off lightly, compared to Supporters).

These insights have implications for corporate reputation. NGOs are committed networkers, and they engage strenuously with the media and with corporate stakeholders such as investors to influence opinion and put indirect pressure on firms to change their behavior. While NGO opinion is clearly far from being the only perspective that stakeholders listen to, it is an influential voice, which both reflects and burnishes the reputations of the corporations they choose to talk about.