

2009 Corporate Government Relations Washington Office Benchmarking Report

Summary of Key Findings



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The Public Affairs Council is the leading international association for public affairs professionals. Its mission is to advance the field of public affairs and to provide tools and resources that enable public affairs executives and managers to achieve their business and professional goals.

Introduction

The year 2009 brought challenges to the corporate world that had arguably not appeared since the Great Depression. An uncommonly weak economy slashed revenues and occupied much of the activity of government (and business) during the course of the year. A new U.S. President took office and encountered one of the most challenging policy environments in recent memory. The Obama administration struggled to return the country to economic growth, while at the same time attempting to manage its stated policy priorities, including healthcare reform, climate change and financial sector regulation.

Corporate government relations offices based in Washington, D.C., and the surrounding area are a key element in the management of the relationship between business and government. In 2009, they have worked hard to address the economic and policy changes brought on by the challenging economy and the new administration. As they have done so, the Public Affairs Council's Corporate Government Relations Washington Office Benchmarking Survey has examined the environment facing them in its 2009 study of Washington office leaders. Nearly 300 Washington office executives were invited to take part, of which approximately 80 participated by completing an online questionnaire in the fall of 2009.

This document summarizes the key findings of the study, beginning on page 3. The full report is available from the Public Affairs Council at www.pac.org/publications.

Profile of Participating Companies

Among participating companies, approximately half also participated in the 2006 survey. Results from those organizations were generally similar to those received from the entire set of firms completing the questionnaire in 2009.

Respondents' most recent annual revenues (typically 2008 end-of-year revenues) range from \$350 million to \$361 billion; the median is \$14 billion. Total domestic employment ranges from 525 to 766,000; the median is 16,000. Total international employment ranges from zero to 834,000, with the median at 12,000.

Demographics of the Benchmarking Group	N	Lower Limit	First Quartile	Median	Third Quartile	Upper Limit
Annual Revenue (in \$ billions)	74	\$0.35	\$7.00	\$14.00	\$301.00	\$361.00
Total Domestic Employment	71	525	4,877	16,000	30,000	766,000
Total International Employment	63	0	38	12,000	54,000	834,000

Note: Median values in this table are discrete and are stated separately for each line item. The medians, taken together, do not represent the profile of an individual company.

Key Research Findings

1. **Despite the economic downturn, companies are finding a presence in Washington to be critical — and are maintaining their staffing and budget levels.**

In an era of intense policy debates on issues such as economic stimulus, healthcare reform and energy and the environment, companies need to be in Washington to have a seat at the table.

As proof of this statement, the 2009 survey reveals that median staff size of the typical Washington office is unchanged since the previous survey in 2006, and may even be on an upward trend. (The forty-one companies that participated in both 2006 and 2009 reported a median three professional and one administrative staff in both years. However, based on the entire sample, professional staff grew from three to four during the period.)

Amid continuing policy debates and companies' perception of the importance of maintaining relationships with government agencies and legislators in Washington, corporate government relations offices are continuing to participate actively in lobbying. Nearly all — 97.3 percent — of Washington offices are registered under the Lobbying Disclosure Act (LDA). The number of registered lobbyists on staff remained constant at three between 2006 and 2009.

Despite the continuing economic pressure, 80.2 percent of responding companies indicated that the number of professional government relations staff increased or remained the same during the past three years.

The median Washington office budget remained between \$1.5 and \$2 million between 2006 and 2009. Note that budgets may not have remained at the same level during the entire three-year period. They may have increased and then decreased during the downturn. However, between the 2006 and 2009 studies, the median budget amount has remained constant.

Participating companies also reported that their government relations budgets have, at worst, remained the same as three years ago. Slightly more than one-quarter (26.5 percent) indicate that they have cut their budget during the past three years. Most Washington offices (44.1 percent) report that their budgets remained stable, and 29.4 percent say that their budgets increased between 2006 and 2009.

2. **It appears the economic downturn is not significantly affecting lobbying activities, or the utilization of consultants and contract lobbyists.**

As overall staffs and budgets have remained relatively stable, Washington offices are also continuing to be active in lobbying, as indicated by the median \$900,000 spent on lobbying. A substantial portion (41.8 percent) of Washington offices indicate that their total lobbying expenses have increased in the last three years.

Looking more broadly at spending trends, exactly half (50.0 percent) of the responding members indicate that their use of contract lobbyists *and* consultants remained the same between 2006 and 2009 — but nearly one-third, or 31.9 percent, report an increase in use of contract lobbyists

and consultants. Nearly one in five, or 18.1 percent, report that they were using contract lobbyists and consultants less. This pattern suggests that even in a period of budgetary scrutiny, companies are willing to hire outside assistance to support their organization’s public policy and business goals.

3. Washington offices’ utilization of trade groups, business associations and coalitions suggests that expectations for associations and coalitions are changing.

With greater pressure on their budgets, companies have been more motivated to reduce payments to associations and other organizations. Use of trade associations for key public policy activities, including issue identification, analysis and monitoring, and legislative affairs and lobbying is greater than utilization of business associations. Use of trade associations for regulatory affairs and lobbying is more than double that of business associations.

Utilization of Trade and Business Associations for Key Government Relations Activities	Trade Associations	Business Associations
Issue identification, analysis and monitoring	90.0%	48.6%
Legislative affairs/lobbying	90.0%	48.6%
Regulatory affairs/lobbying	87.1%	37.1%
Bill tracking	72.9%	31.4%
Political contributions/PAC	42.0%	14.3%
Issue advocacy	85.7%	52.9%
Grassroots	47.1%	22.9%
Professional development	22.9%	20.0%

At the same time, nearly half of the companies polled for this survey (47.9 percent) indicate that their organization has become more involved in coalitions during the past three years. As companies expand their use of coalitions, their partnerships are expanding beyond peer companies and associations. Washington offices appear to be reaching out to non-traditional stakeholders. They are working with companies outside of their own industries as well as, notably, advocacy and public policy groups, think tanks and even organized labor.

Coalition Partners	Percent of Companies
Associations	88.6%
Other companies in our industry	88.6%
Companies in other industries	50.0%
Advocacy groups	41.4%
Public policy groups	31.4%
Customers	31.4%
Think tanks	21.4%
Suppliers	17.1%
Organized labor	15.7%
Other	1.4%

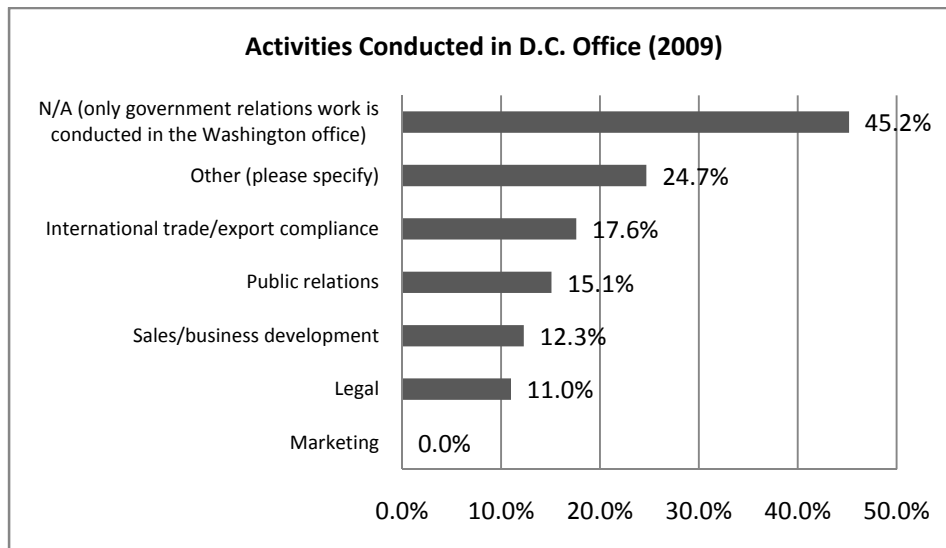
N=70

4. The Washington office, rather than being exclusively devoted to government relations, is now taking on additional functions.

As companies have agreed that a formal presence in Washington, D.C., is a critical strategy for accomplishing their public policy goals, they have also learned that maintaining a Washington office can be a valuable tool for sales, marketing and other key business functions.

Only about 45 percent of Washington offices surveyed in 2009 conduct government affairs activities exclusively, compared to 55 percent in 2006 — a fall of 18 percent.

Other key Washington office functions conducted in 2009, in addition to government relations, include international trade and export compliance (17.6 percent), public relations (15.1 percent), sales and business development (12.3 percent) and legal work (11.0 percent).



N=73

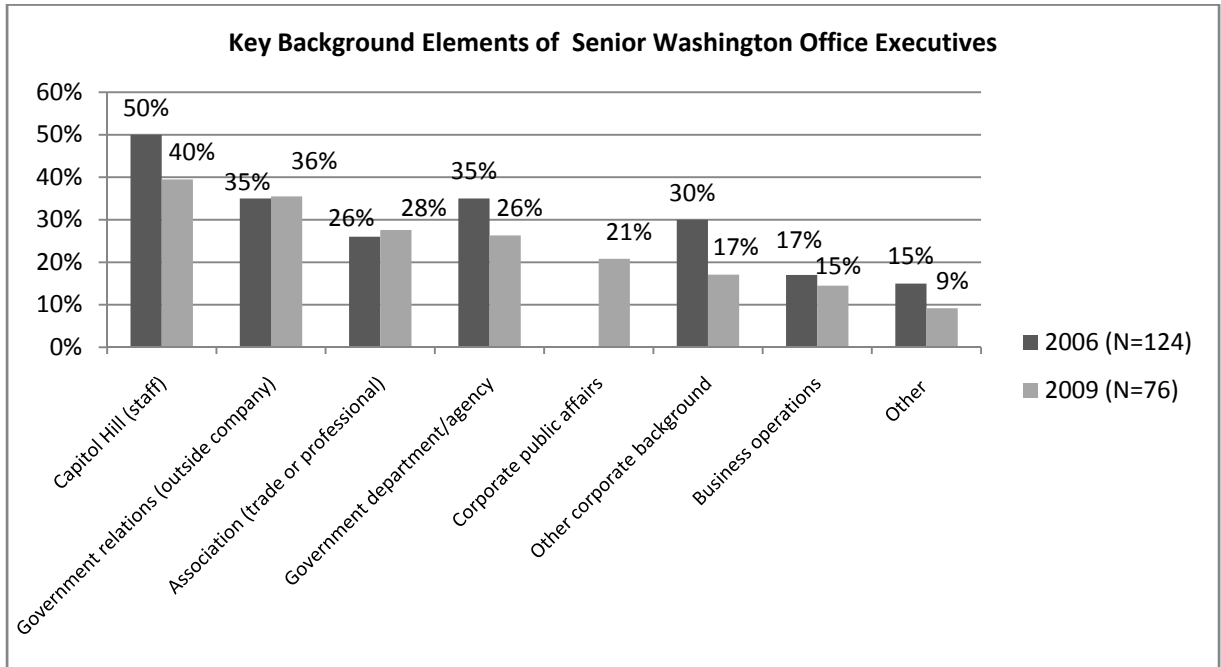
As the scope of the Washington office's activities has broadened, there have also been subtle changes in the organizational model used for managing the office. In 2009, survey respondents indicated that Washington offices are organized primarily by corporate issue (for example, taxes, environment or other issue areas relevant across the company). Few offices are now organized by political party, continuing a trend that started earlier this decade.

5. As Washington offices diversify their activities, they are emphasizing corporate experience in the selection of the senior Washington office executive — focusing less on Capitol Hill staff and executive-agency background.

Companies have learned that a Washington presence contributes to their abilities to explain corporate goals, technology innovations and the impact of proposed regulations on jobs,

earnings and markets. That’s why it is becoming more important for their government relations leaders to understand the workings of the business.

Only 40 percent of survey respondents indicate that the Washington office’s senior government relations executive has a background working in a Capitol Hill staff office (compared to 50 percent in 2006), and 26 percent indicate the senior executive has worked in a government department or agency (compared to 35 percent in 2006).



Note: “Corporate public affairs” was not a response option in the 2006 survey.

6. Washington offices are beginning to use more sophisticated performance measurement.

Traditionally, Washington offices have tracked the number of objectives achieved against goals. In 2009, 82 percent of surveyed firms used this method, compared to 96 percent of respondents in 2006. Greater emphasis is being placed on external customer perception and attitude (for example, by conducting surveys of key stakeholders); 44 percent of all 2009 respondents used this method, compared to 37 percent of all 2006 respondents.

Further, Washington offices are developing greater experience in relating their department’s effectiveness to the company’s overall results. The share tracking return on investment (ROI), a measure of the relationship between revenue or other benefit generated and the resources invested in creating that revenue, rose from 21 percent in 2006 to 27 percent in 2009.

It can be difficult to convince senior management that revenue creation has been a direct result of a particular public affairs initiative. However, return on investment is a way of relating benefits — whether revenue generation, cost prevention, cost reduction, or other benefits — to investments that have been made.

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