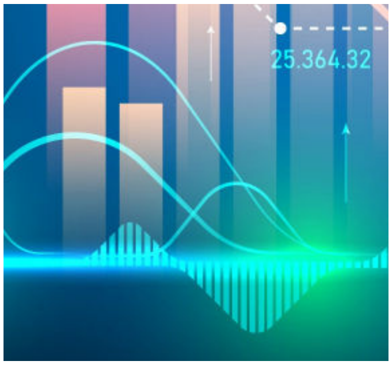
Measuring and Communicating the Value of Public Affairs

2023



Foundation for Public Affairs

Measuring and Communicating the Value of Public Affairs

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President: Doug Pinkham
Executive Director: Amy D. Meli

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Introduction

As corporations have become larger and more complex over the past several decades, so have their systems for measuring performance. Companies that once relied on simple financial, operations and sales metrics have turned their attention to a wider range of evaluation tools.

How do corporate public affairs departments respond to senior management demands for sophisticated tracking of progress towards goals? Some business functions — such as manufacturing, logistics and purchasing — are naturally data-driven, which make them ideal for performance evaluation systems. But public affairs priorities often don't fit neatly into these types of measurement regimes. Here's why:

1. Many public affairs objectives are long-term, which means that monthly or even annual data showing success or failure may not be available.
2. Many objectives involve managing risks (e.g., avoiding harmful legislation or preventing a crisis) rather than overt actions to take advantage of new business opportunities.
3. Strategies to achieve goals are often executed in concert with other parties, such as trade associations and coalitions, which makes it difficult to sort out the public affairs department's contributions.
4. Objectives often shift during the year, particularly when dealing with legislative bodies. A bill that looks onerous when it is introduced in January may look like a best-case scenario in November.
5. Many of the strategies employed by public affairs professionals are difficult to evaluate because they are not transactional — they involve engaging stakeholders and building alliances.

Nevertheless, **it is possible to develop a measurement system for public affairs departments. The keys are to establish a clear value proposition, relate measurement/evaluation to business units, reflect the organization's corporate culture and focus on impact rather than activity.**

This report uses research data, insights and case studies from leading corporate and association public affairs departments to help public affairs leaders measure and evaluate their performance.

Understanding the Value Proposition

Whether working for a large corporation, small business, trade association or professional society, it's always a good idea to develop a value proposition for each organizational function. **Value propositions specifically define the roles of various departments in helping the organization achieve its business goals.**

When a senior executive asks public affairs to create a new measurement system, they are often asking for a justification of that function.

That's because he or she is not convinced of the value of public affairs.

Reaching agreement on a value proposition not only provides clarity about the function's role; it also ties public affairs more closely to the business and keeps measurement discussions focused on progress made to achieve objectives.

What are the components of a value proposition? In a 2000 Public Affairs Council report entitled *Considerations for Measuring Public Affairs' Value*, Richard A. Ferraro identified the following list of "value drivers" in public affairs:

- **Freedom to operate:** Preventing additional constraints to where and how the business is operated; usually there is some element rooted in operating constraints that hurts business performance. Constraints may come from regulators, lawmakers, the local community or public opinion.
- **Cost avoidance:** Preventing future increases in operating costs, such as a tax, increased resources to obtain permitting, or just everyday costs of doing business.
- **Market opportunity or advantage:** Enabling or encouraging a situation that allows enhanced competitive advantage, such as shaping a business climate that is more favorable to your company than it is to competitors.
- **Speed:** Responding more quickly to marketplace needs or producing enhanced business performance sooner.
- **Productivity:** Increasing the efficiency and effectiveness of company employees, for example, through internal communications that provide information that helps people do their jobs better.

As Ferraro noted, these five drivers don't rely on public affairs jargon; they use language that helps establish the contributions public affairs makes to achieve tangible business results. **An effective public affairs value proposition, then, should express the progress towards company goals that can be achieved through investment in public affairs.**

Public affairs may be described, for example, as a "watchdog" for threats to reputation, license to operate, or overall bottom line; an initiator of opportunities to grow market share; a manager of key stakeholder relationships; or a catalyst to enhance an organization's reputation.

Whether a value proposition is general or specific, it can serve to increase understanding of the intrinsic worth of the public affairs function.

Case Study:
Risk Management as Value Proposition

For several years, General Mills has relied on an advanced issues management process to anticipate, monitor and coordinate action on emerging reputational and regulatory issues. Over time, this process has also developed into a helpful tool to demonstrate the value of public affairs.

The process is led by the Government & Public Affairs department and managed through issue councils representing each global business unit. Councils meet quarterly, identifying key risks and reviewing them on a regular basis. The Government & Public Affairs team leads a global review across business segments to elevate to senior leadership action needed on any enterprise risks.

This results in high-level visibility among senior leaders to the value of Government & Public Affairs as the function leads both the proactive strategy to address emerging risks, and many of the mitigations to address regulatory and reputational issues, including direct advocacy, stakeholder engagement and strategic planning.

By regularly reviewing key risks and actions, leaders can also measure the value of Government & Public Affairs over time. Having a defined process with clear business engagement and regular updates on emerging and key risks allows for progress tracking and elevation of key public affairs successes. This approach addresses one challenge of assessing public affairs given the long-term nature of many issues.

Having a defined issues management process is also a key part of the company's overall enterprise risk management strategy. Top company risks, such as government regulation or stakeholder actions affecting business value, receive review at the highest levels, and the issues management process is a key mitigation against those risks. The process is regularly reviewed and benchmarked for its output and effectiveness and cited frequently in business and company risk evaluations.

"We don't operate Government & Public Affairs in a silo," says Lee Anderson, vice president of Government & Public Affairs at General Mills. "Our work is part of the highest levels of risk management for the company and directly integrated into business functions. Our mission is to enable business growth and reduce risk through proactive government and stakeholder outcomes, and we accomplish it through direct business engagement and partnerships."

"Our work is part of the highest levels of risk management for the company and directly integrated into business functions."

— LEE ANDERSON
General Mills

Creating a Measurement System

Once the value proposition has been established, a measurement system should be developed to evaluate the overall effectiveness of the public affairs department. This system should also help the company assess whether the department has set priorities properly and devoted the right amount of resources to each priority. It is not intended to serve as merely a justification for the department's existence but, rather, as a means to track improvement.

Different companies use different measurement processes to monitor progress and performance.

Management metrics should reflect value drivers (e.g., freedom to operate, cost avoidance or market opportunity) and speak the language of senior management. For example, a chief financial officer may not understand lobbying or coalition-building, but she will certainly appreciate efforts to help the corporation avoid unnecessary costs. A general counsel may not have legislative experience, but he can relate to the need to identify and manage risks.

When establishing measurement metrics, it's also important to make sure they reflect a company's culture. If senior management is numbers-oriented, then most metrics should be quantitative. In this case, a public affairs department should make every effort to track costs avoided or reduced, revenue created or return on investment.

On the other hand, a company that devotes a lot of its resources to advancing its brands or reputation may prefer metrics that provide a qualitative analysis. Examples include surveys of internal/external stakeholder satisfaction and general public perception.

If a company takes a management-by-objectives approach to performance measurement, then public affairs professionals would be wise to tie their public affairs strategies and goals to overall business objectives.

Rather than have a stated goal to pass immigration reform, the objective could be to ensure passage of immigration reform to help the company hire the most qualified employees or provide protections for its current staff who hold visas.

Sample Government Relations Survey for Internal Stakeholders

Quality Indicator	Importance (1-5)	Performance (1-5)	Improvement Over Last Year (1-5)	Does What Well?	What to Improve?
Policy knowledge	5	2	4	Outstanding command of corporate-level issues	Lack of familiarity with state regulations
Responsiveness to business needs	3	5	3	Easily reached via phone and email	Frequently takes two days to get a response
Communicates effectively with business unit heads	5	5	3	Professional demeanor	Avoid "jargon" when discussing legislation

This survey form is to be completed by business unit heads or other senior executives in the company. Note that it asks open-ended questions to find out what the public affairs department does well — or not so well.

Many companies have found that internal stakeholder surveys can help the public affairs department build trust and achieve buy-in from company leaders. They demonstrate a willingness to receive feedback, continuously improve processes and — most importantly — focus on meeting the specific needs of those managing the business.

Note that this sample objective focuses on the value to be delivered (outcome) rather than the public affairs department's volume of work (input).

Many companies still spend too much time counting their actions rather than tracking the impact of those actions.

Inputs are process-oriented steps and may include visits to Capitol Hill, emails written to legislators, meetings held with community leaders, checks written to local charities or the number of PAC eligibles solicited for contributions. Outcomes are results-oriented and can take many forms: legislative wins and losses, regulatory policy rulings, shifts in public opinion or changes in stakeholder behavior (e.g., willingness to buy your company's products or support its policy positions).

Case Study: Measuring Value Using Dollars and Cents

Until recently, this Fortune 50 company with a large external affairs team had communicated its value through anecdotes and storytelling. While this approach had been effective when communicating with an executive team that understood the inherent value of public affairs, the company needed a new approach so the public affairs department could communicate using the same methods employed by other parts of the business.

In essence, the public affairs department needed to discuss value while using the same "language" of other corporate functions. How much money could be saved or earned through the department's efforts? And what were the costs associated with these successes?

The company piloted a program to measure these concepts in 2016 during a state-level regulatory campaign. Public affairs worked closely with corporate finance to get buy-in from key stakeholders and take advantage of data used in other parts of the company. As a result of this pilot project, the public affairs department was able to communicate how much the regulatory campaign cost the company and how much the company was able to earn from the department's efforts.

Based on the success of the pilot study, public affairs began using the measurement system more widely. Now, with the full infrastructure in place, public affairs can calculate how much proposed legislation could cost or benefit the firm. While public affairs originally adopted the cost/benefit framework to defend its budget, the department currently uses the process to determine the highest and lowest performing projects, which helps it prioritize resources, determine the most valuable activities and more effectively plan for the future.

Figuring out the value of public affairs efforts can be particularly complicated when, as often happens in public affairs, multiple departments or organizations are involved in the campaign. To address this challenge, the department uses percentage estimates to determine the proportion of credit the department can claim. For example, for issues in which the company takes a leading role, the company claims 80% credit for the effort. For campaigns in which the company plays a supporting role, the department claims a smaller share of credit for the campaign's success. This approach allows the department to provide a realistic, if slightly conservative, estimate of the real value provided.

While this strategy has been largely successful, the team is realistic about the limits of using a cost/benefit approach. Since some public affairs issues are difficult to measure in quantitative terms, the public affairs department tends to use this method for high-priority issues that directly impact the company's bottom line. Limiting its use to these key issues allows the department to expend its resources wisely and focus on actions it can measure, which tend to be associated with the company's highest priority issues.

It is difficult to identify meaningful KPIs for public affairs departments for several reasons including the lack of relevant data, inadequate sample size, and the non-transactional nature of the work.

There are times when a high level of inputs is correlated with positive outcomes. Key performance indicators (KPIs) are a set of quantifiable metrics that gauge the performance of a team in achieving its strategic and operational objectives. KPIs are widely used in sales, finance, supply chain management and other business functions. For example, companies may monitor return on invested capital, profit per employee, customer acquisition cost ratios or backorder rate.

It is difficult to identify meaningful KPIs for public affairs departments for several reasons including the lack of relevant data, inadequate sample size and the non-transactional nature of the work. Trying to compute a ratio of congressional office visits to favorable votes would be a fool's errand. So would any attempt to measure stakeholder outreach per employee.

Nevertheless, companies have made headway in recognizing ways to connect inputs to outcomes and, in some cases, to corporate KPIs. High employee satisfaction levels for grassroots campaigns, for instance, can influence undecided legislators to help solidify political supporters. But in addition, a robust grassroots program or corporate PAC can demonstrate that employees understand policy issues and are willing to speak up on the company's behalf. For a corporation that has made it a priority to engage employees on multiple levels, these activities feed into human resources KPIs.

In the same way, companies that manage major employee volunteerism programs often find high participation levels not only help organizations achieve their community service goals but also help employee recruitment and retention efforts and bring positive recognition to company brands.

Some firms use activity-based management (ABM) methodologies. In ABM, a department identifies major activities (such as direct lobbying, compliance and media outreach), links each with a cost (overhead, time and other direct costs) and then determines the value of those activities as rated by "internal customers" such as senior management. The challenge of this approach, of course, is that public affairs staff must do a good job of communicating the long-term or indirect value of activities.

In many cases, however, companies measure inputs even if they aren't relevant because the associated numbers happen to be readily available. It is almost always more difficult and more costly to measure outcomes.

The ideal scenario is when a public affairs department can document actions taken with clear results that have directly affected business outcomes. Here are examples of this concept:

- Extensive outreach to local communities and governments helped reduce the time it takes to open our new retail stores by 10%.
- The amendment we supported clarified that the company would not fall under the jurisdiction of state regulators, saving the firm an estimated $2 million annually.
- After our media campaign was completed, third-party surveys showed the company is now more highly regarded than our two closest competitors among people planning to purchase this type of product in the next year.

Case Study:
Avoiding the McNamara Fallacy

"If you don't know what to count, you make what you can count important." This maxim describes the idea behind the McNamara Fallacy, which originated during the Vietnam War when U.S. military leaders used the wrong measures for success, which led them to overestimate U.S. performance during the conflict. Since then, leaders of all stripes have referenced the McNamara Fallacy to warn against overreliance on quantitative observations.

Measuring the wrong thing can lead organizations to make the wrong conclusions about the organization's progress towards goals. Cody Lyon, the American Farm Bureau Federation's managing director of advocacy and political affairs programs, avoids this trap by identifying the outcomes the organization would like to see, then working backwards from those goals.

The Farm Bureau's overall objective is to be a resource to policymakers on agricultural policy representing farm and ranch families working together to build a sustainable future of safe and abundant food, fiber and renewable fuel for our nation and the world. Its efforts are particularly important as Congress considers the Farm Bill, a key piece of legislation for the agricultural community. With a goal of final passage of the Farm Bill, which contains many of the programs that benefit farmers, Lyon's team has broken the strategy into four components: intelligence gathering, building shared values, persuasion and engagement. The team ties all advocacy activities to one of these components.

When reporting on progress to the Farm Bureau's senior leadership, Lyon focuses on how each activity ties directly to one of the components, each of which moves the organization towards the larger goal. Instead of counting the number of advocates or activities, the team identifies the tactics that feed into the greater goal. This approach allows the team to communicate its value by tying its strategies directly to the Farm Bureau's key objectives.

The path to accomplishing this goal can look different when working with different elected officials. Some members of Congress understand agricultural policy and are looking for political cover in the form of grassroots communications. Other offices simply need to hear from

one specific farmer in the district when considering agricultural legislation. Still others are completely new to agriculture and need to start from square one with relationship-building, education and persuasion. This means that success with one legislator might mean arranging a single important meeting with a constituent, while success with another legislator could involve placing an op-ed in the local newspaper and encouraging communication from a wide range of the legislator's constituents.

For this reason, Lyon uses a nuanced approach when measuring the Farm Bureau's effectiveness. "The approach is not one-size-fits-all," Lyon said. "It will vary by issue. Knowing your own assets and where your strengths are is key to success." Since this approach requires evaluating and tracking each individual member of Congress, maintaining data on each policymaker is an important part of the process. The Farm Bureau team collects information about each member of Congress, including communication preferences, attitudes about agriculture policy, information about the district and key relationships. This information is updated continually and is available to a key set of senior leaders within the organization. Being able to drill down on a legislator's background and the political environment in the district allows the Farm Bureau to determine the key strategies and tactics to engage that legislator. And while focusing on key tactics is part of Lyon's success metrics, he makes sure to never lose sight of the big picture.

> ***Knowing your own assets and where your strengths are is key to success.*** — CODY LYON
> American Farm Bureau Federation

Creating a Measurement System

There's no guarantee, of course, that even the most talented public affairs team can overcome legislative gridlock, hasten the speed of regulatory reform or resolve a reputation issue in a year's time. As a result, many companies set goals that establish milestones along the way to a positive outcome.

For government relations staff, these milestones may include getting a bill introduced, helping to ensure that a congressional committee does not favor a negative bill, or positioning the company as a leading expert on a policy issue. For staff focusing on corporate responsibility programs, an interim goal might be to create partnerships that support a public service initiative or document changes in community attitudes that lay the groundwork for construction of a corporate facility.

The following chart lists common measurement tools and how they can be used to track public affairs performance.

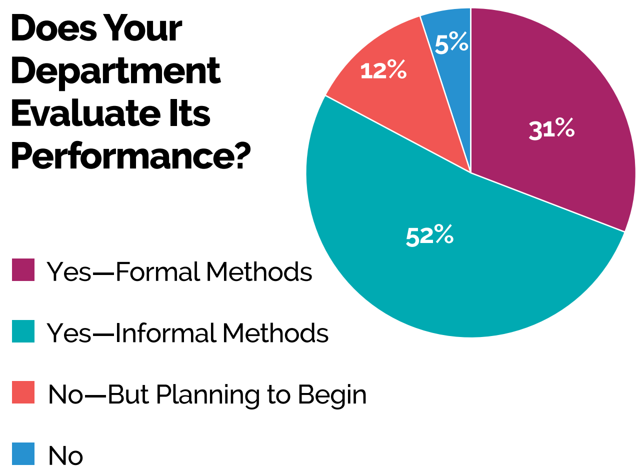
Measurement Tool	How To Use It	When To Use It	Advantages
Objectives Achieved	Establish and rank public affairs goals tied to the company's strategic plan; produce report evaluating success at the end of the year.	Most companies use this tool in conjunction with other approaches.	Objectives can support company priorities such as easier market access or improved reputation.
Internal Stakeholder Satisfaction	Conduct annual surveys and interviews with business unit heads and other senior executives; produce report cards showing results.	Companies with cultures that emphasize internal customer service, or in which business units contract with public affairs, often use this tool.	Interaction creates opportunities for buy-in, feedback and collaboration with senior management.
External Stakeholder Satisfaction	Commission surveys of stakeholders to measure attitudes about the company's overall reputation and public affairs efforts.	Major brands frequently conduct external polls. Some firms survey thought leaders to see if their voices are being heard on public policy matters.	Data are useful for benchmarking perceptions about the company's influence and reputation with specific audiences.
Legislative Wins/Losses	Set legislative priorities with top management at the beginning of the session and issue a report annually.	This method is often used to evaluate GR staff, but political gridlock can make it problematic.	Clear legislative goals provide clarity about success or failure of advocacy efforts.
Costs Reduced/ Avoided	Document cases (with hard numbers) in which public affairs saved the company money through effective advocacy and stakeholder management.	Firms use this method to tally savings associated with actions taken to affect legislation, regulations or inefficient business practices.	This approach can be particularly effective in heavily regulated and data-driven companies.
Revenue Created	Document cases (with hard numbers) in which public affairs earned the company money through effective advocacy.	Firms use this method to track new revenue associated with efforts to improve market access or directly support the sales function.	Public affairs teams that work globally or in support of government sales often have opportunities to create revenue.
Return on Investment	Compute total gain (costs savings plus revenue created), subtract the fully loaded cost of public affairs and divide the total by the cost.	If accurate data exist to support costs reduced/ avoided and revenue created, then this method can be extremely useful.	Senior management understands ROI. Much of the time, however, public affairs teams lack data to prove ROI.

Creating a Measurement System

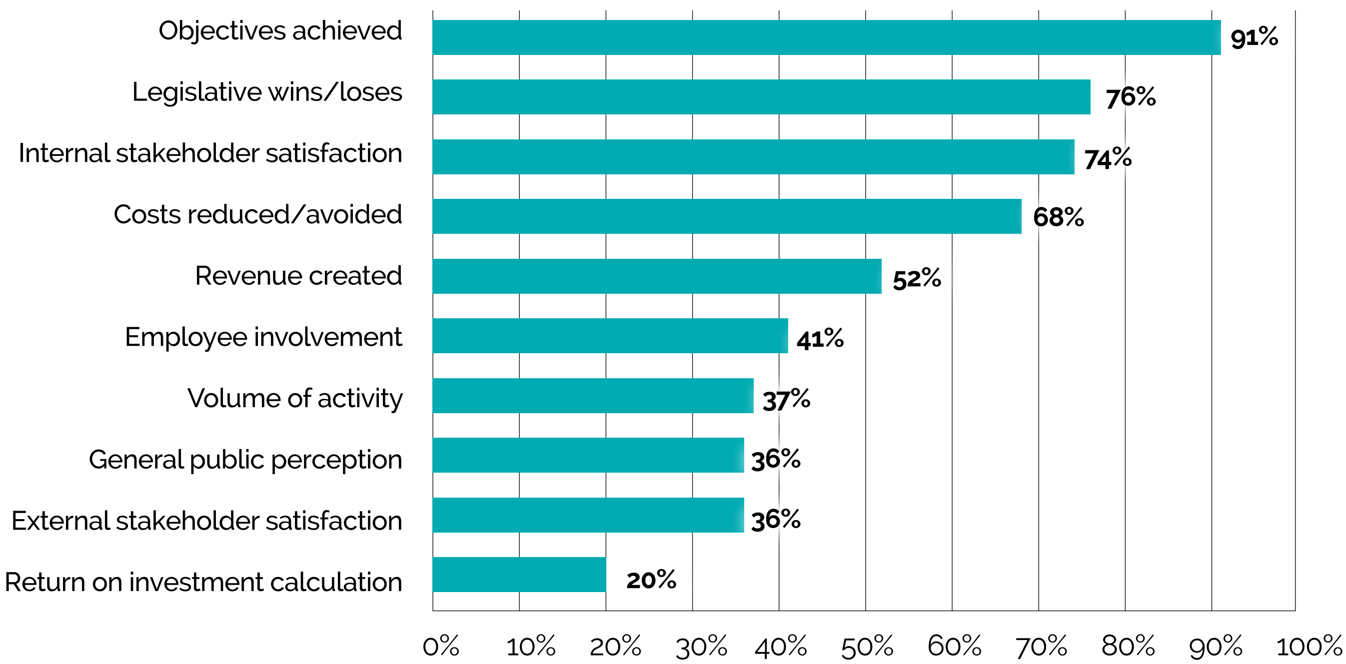
According to the *2020-2021 State of Corporate Public Affairs Report*, a large majority of public affairs departments use some form of benchmarking to measure their departments' progress. As pictured in the figure to the right, 31% of survey respondents use formal methods to track performance and 52% of respondents use informal methods, while only 17% do not evaluate performance.

The most common methods for tracking performance — pictured in the figure below — include the achievement of departmental objectives (91%), legislative wins and losses (76%), internal stakeholder satisfaction (74%) and costs reduced/avoided (68%). The least common methods include a return on investment calculation (20%), external stakeholder satisfaction (36%), general public perception/attitude (36%) and volume of activity (37%).

Does Your Department Evaluate Its Performance?



Metrics Used to Track Success



Communicating Performance and Value

If a public affairs department has taken the necessary steps to (1) establish a meaningful value proposition, (2) engage top management in the setting of goals that are tied to the strategic plan, (3) conduct internal surveys or needs assessments, and (4) explain the metrics that will be used, then it has already positioned itself effectively to communicate its performance.

The formats and media used for communications vary considerably among companies. Some create customized reports for each business unit. Others publish infographics for senior management that summarize major achievements and how they are linked to corporate-wide goals. Still others develop spreadsheets that compute the return on investment from the public affairs function.

Whatever approach is used, leading public affairs departments make it a practice to keep internal stakeholders informed throughout the year, not just when annual performance reviews are being prepared. This approach also serves to educate senior management on the importance and trajectory of key issues, which makes them better prepared to meet with political leaders, represent the company at trade association meetings, give speeches and participate in media interviews.

It's also smart to track year-to-year performance to show progress and achievement over time. This is particularly true when reporting on multi-year legislative battles and long-term campaigns to improve corporate reputation or awareness.

Tracking year-to-year performance also demonstrates the department's commitment to continuous improvement. **Data from one year can be used to set new goals, refine management processes and drive professional development plans for the future.**

Finally, a growing number of organizations are touting their public affairs successes more broadly to employees and allies. In the not-too-distant past, it was common for corporations to be secretive — both internally and externally — about their efforts to affect public policy and engage stakeholders. But over the past few decades, the growth of digital media and higher expectations for transparency have caused many companies to rethink that approach.

Companies use a variety of communications strategies to highlight their achievements, including:

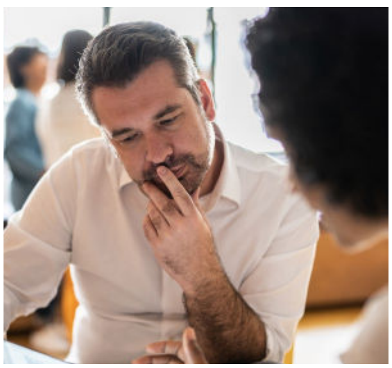
- Updates at major company-wide meetings
- Videos highlighting successes of advocacy efforts and/or impact of corporate responsibility initiatives
- Articles for electronic newsletters going to employees, PAC supporters or community allies that demonstrate engagement on important public policy issues
- Reports on senior management involvement in public affairs, such as congressional visits, meetings with allies, speeches on public policy and media events
- Internal posting of photos from facility visits by political leaders, grassroots events, townhalls, employee volunteerism day, testimony and related activities

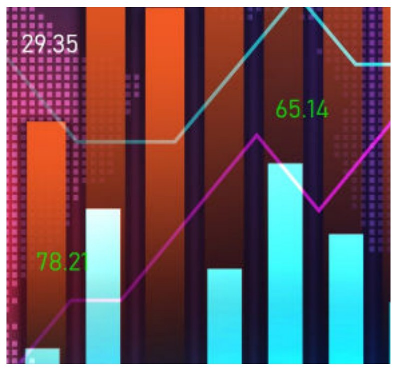
Conclusion

In many ways, developing a measurement system creates both significant challenges and opportunities. Suffice to say, it can be difficult to reach agreement on value propositions and metrics that are relevant to both the business and the public affairs function.

On the other hand, a well-designed system of tracking progress towards goals can have tremendous upside potential. In addition to documenting progress and evaluating performance, these systems can be used to establish clear priorities, achieve senior management buy-in, keep top executives in the loop on important issues and recognize the efforts of rank-and-file employees and other allies.

All of these benefits solidify public affairs' role in the company and contribute to the department's future success.





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