Building and Managing a Global Public Affairs Function

By Elizabeth Judd
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INTRO
Government Relations and the Global Imperative

Laura Lane, president of global public affairs at UPS, spent Christmas Eve of 2011 wearing a UPS uniform, driving one of the company's boxy brown trucks and delivering packages on arguably the most hectic night of the year. As a new hire at a company with a deeply ingrained promote-from-within culture, she felt it was imperative to get her commercial driver's training and, therefore, spent her first two months at UPS earning her stripes behind the wheel.

"It has to do with credibility in terms of representing what the company does and credibility for advocating on policy issues," says Lane. "How can you advocate on driver rest rules and some of the pension and benefits issues if you don't understand what it's like to be a driver or a loader? I can speak with credibility because I've done it."

Although there's no single path to creating a truly successful global government relations function, almost everyone who heads up GR for a multinational racks up astronomical frequent-flier points. And the truly exceptional find ways for top management and the GR team to understand other cultures quickly, whether it's gaining firsthand knowledge of employee issues by driving a UPS truck or holding global GR team meetings overseas so everyone experiences some of the cultural differences the company faces abroad.

Take Royal Dutch Shell, for example, which employs over 100 people as community liaison officers in the countries where this multinational operates. A company like Shell hires specialists to do some of the cultural legwork, but it engages its top leaders in the task, as well. "When was the last time senior management slept in a tent in the community?" asks Andrew Vickers, vice president of NGO and stakeholder relations for Shell. "You've got to let the key decision-makers engage and experience things for themselves so the decisions they make are that much better informed."

Solving the Rubik's Cube

When multinationals are asked how they organize their global government relations functions, there are nearly as many different answers as companies competing on the world stage.

Mike Fernandez, corporate vice president for corporate affairs at Cargill Inc., compares the challenge to a Rubik's cube that the top GR executives must successfully solve.

"You're dealing with the business you're operating in — and the nature of that business. You're dealing with the individual countries you're operating in, where you're trying to sell products and services. And then you're also dealing with two other factors: culture and the supply chain for products," says Fernandez. "The real challenge is to begin to shape an organization against this Rubik's cube that feels like it's always shifting on you."

Public affairs consultant Fruzsina Harsanyi, former head of global GR for ABB Group and former vice president of global public affairs at Tyco International, offers a similar analogy for this challenging task, describing it as "building a ship while you're sailing it." She notes that for a GR team to become truly global, a completely different mindset may be required. While ABB was headquartered in Zurich, she recalls, "the company didn't call any country its home country. Our CEO [Percy Barnevik] would say, 'Headquar-

ters are in an airplane wherever I am.'"

Martin Cargas, senior advisor at McLarty Associates, points out that the problem of building a global GR function is especially thorny because successful companies grow by leaps and bounds before branching out into overseas markets to pursue fresh opportunities. "It's all very ad hoc," he says. "Often, there's not a lot of thought given to how to structure the government affairs department."

Fitful growth might be unavoidable, but savvy companies increasingly see the need to think very strategically about how best to run global GR. "You really need GR capabilities in countries where governments have even greater influence over your business than in the U.S., in places like China or Brazil," says Cargas. "In those countries, the government is very involved in the economy."

He also notes that viewing government as an adversary immediately places a company in "a losing position." He continues: "You've got to see government as a partner. But when you see government as a partner, you've got to manage that relationship."

One size doesn't fit all when it comes to global GR. Practitioners note that governments in Brazil (above) and China, for example, are heavily involved in the national economy — and therefore can have a much greater influence over your business than governments in the U.S. and elsewhere.

PART ONE

How a Global GR Team Can Make an Enormous Difference

Nels Olson, head of the government affairs practice at Korn/Ferry International, says there are a variety of reasons why companies decide to focus intently on putting together an effective global GR function, with market access and growth aspirations being two of the more common ones. Another catalyst, he notes, is a widespread threat appearing abroad. Companies that suddenly encounter a tax or anti-trust problem in another country often respond by hiring a global GR director to run the function. "When companies stub their toe, they realize they need to put someone in place," Olson says.

Too often, agrees Fredrik Lofthagen, CEO of the consulting firm Interel, companies get savvy about global GR only after narrowly averting disaster. "It's very expensive to be caught off-guard on a particular issue that might wipe away a market for you because you weren't clued into what was going on politically," he says. "The rule of thumb is that when a public affairs threat comes internationally, that's the time companies invest in public affairs people. Increasingly, though, if you're a multinational company, you cannot not have a multinational approach to your government relations."

"Global government affairs in the traditional sense is often a reaction to a negative government action," says Trevor Gunn, managing director of international relations at Medtronic, the world's largest medical technology company. A few years ago, the Brazilian government announced a sweeping program to inspect medical device manufacturers' facilities but lacked the staff or resources to perform these inspections in a timely fashion. And in India, the government recently announced that it was slashing the price paid for drug-eluting stents. "The Indian government wanted to cut prices by 62 percent — there you are — no consultation with industry," says Gunn. "That can certainly be a wake-up call for any business leader."

Such scenarios spur companies to act. "We have a CEO who gets government affairs, who gets the fact that governments and major decision-making bodies are becoming more important," says Gunn. "And in health care especially, I think you'll find great sympathy for a more inclusive definition of government affairs, which includes partnering with governments for mutual benefit."

Gunn cautions that a focus on risk shouldn't obscure a discussion of opportunities. "Government affairs should be equally balanced between opportunity and risk," he maintains. "What we want is the ability to basically forestall poorly formed government action through healthy consultation with our government colleagues, and equally to see governments as partners — to recognize both the threats and opportunities."

The following two case studies illustrate how companies can move beyond simply monitoring threats to begin to use global GR to set the stage for seizing new opportunities.

CASE STUDY

UPS Builds a Medical Facility in Mexico to Promote Team-Building

In October 2013, some 75 UPS global government relations employees were slated to spend five days in Bosencheve, Mexico, building the village's first medical clinic. This small town has no doctor, and access to health care requires a two-hour drive, a true hardship in a community where few even own cars.

Laura Lane, president of global public affairs at UPS, acknowledges that "this humanitarian project has nothing to do with our business, per se — we're not likely going to be shipping into this very small village." Instead, it represents an important team-building enterprise for the company's far-flung GR professionals and a brighter future for this community. When completed, the clinic will have four examining rooms, a pharmaceutical dispensary and an office for the visiting doctor, who will soon venture to the village monthly.

For many of the UPS GR practitioners, who will come not only from the U.S. but from Asia, Europe, Canada and Latin America, building a health care facility will represent another memorable first. "Many of the team members don't have a lot of experience being in overseas environments," says Lane. "It's a stretch for them." She selected this particular project because it highlights the company's Mexican growth strategy and aspirations in the health care delivery space — and it showcases UPS' commitment to the communities where it operates.

UPS' GR experts will work 12-to-14-hour days building the clinic and will take time to meet with various government officials and the community, says Lane. Beyond that, though, there won't be policy discussions. "We're doing team-building, and we're building something great together — literally," says Lane.

In late 2011, when Lane was recruited to create a truly global government affairs function, she knew that one of her top priorities was changing how the entire team communicates. In addition to the team-wide service project, GR leaders from around the globe gather at headquarters for three days each December for an annual strategy meeting.

More important still are the regular communications. Everyone submits a weekly written report on what they're doing; the highlights are summarized and sent both to senior management and back to all team members. Anyone at the senior vice presidential level or above participates in a weekly phone meeting; the regional heads meet quarterly; and Lane visits each regional public affairs manager twice a year.

"I want to be the glue that's connecting the dots," she says.

Already, Lane has reaped the benefits of greater coordination. For instance, the Chinese government is debating a universal service obligation to help pay for access to rural communities. James Xiong, a UPS director in China, turned to Wojciech Arszewski, who manages GR for Eastern Europe, for advice. Arszewski shared arguments he had made before various European governments when the EU was implementing a similar directive, as well as explaining UPS' view that delivering packages to rural areas is a vastly different obligation than basic mail service.

Similarly, UPS is studying ways to replicate successful legislation implemented in the U.S. to develop opportunities to support alternative-fuel vehicles in Germany and the U.K. The American team effectively advocated to state legislators for tax credits for alternative-fuel vehicles and infrastructure. Leveraging examples where a certain argument prevailed helps the GR team craft legislative strategy around the globe.

Modeling Esprit de Corps

Lane argues that even in a company like UPS, which values teamwork, employees are sometimes reluctant to reach out because they are worried about the security of their own positions.

To encourage information sharing, Lane does everything from the team building in Mexico to mandating better communications. Most important, though, she models the behavior she expects of others. "I've worked for bosses who hide their schedules, but I am very open. My whole team knows exactly what my schedule is," she says.

Lane continues: "If there's a mistake, I take full responsibility. If there's an accomplishment, it's the person on the team's success." She makes it her practice to name individuals in written memos to senior management, praising sound analysis or a willingness to share best practices.

"You have so few resources in public affairs to begin with, how do you make one plus one equal five? You do it through good communications and coordination. In a lot of companies, they have silos and nobody shares information. You have a lot of people reinventing wheels that don't need to be reinvented." She concludes, "At UPS, I want my team to say: 'If I share this information, how could it be useful to others?' We're really creating that team esprit de corps."

CASE STUDY

A 'Quick Win' Fuels Covidien's GR Growth in Brazil

Tim McBride, Covidien's vice president of global government affairs, is in the enviable position of having been hired by a chief executive who is a firm believer in the global GR function. Instead of convincing CEO Rich Meelia how worldwide public policy intersects with the company's interests, McBride is acting on the explicit desires of both Meelia and current CEO Joe Almeida to grow the GR function.

And grow the function he has. Since 2010, when McBride joined Covidien, he expanded the GR function from six individuals — five of whom were based in the U.S. — to 25 worldwide. Covidien is a medical products manufacturer with 43,000 employees, two-thirds of whom work outside the U.S.

To bolster the GR function globally, McBride didn't rely solely on the CEO's mandate. Growth would halt tomorrow, he says, if "we hadn't found practical, direct, business-related examples of where our efforts help sales in overseas markets." He continues: Without these results, "even with the CEO's full support, we would not have the growth of the team we have."

Opportunity in Brazil

Until quite recently, the Brazilian government viewed varicose vein procedures as cosmetic, rather than medically necessary. This affected how insurers reimbursed patients and how frequently the procedures were performed.

In 2011, McBride hired his first full-time GR professional in Brazil despite doubts from the Latin American regional president. Out of a desire for concrete change, he hired a business veteran who would understand the practical imperatives for this new role.

Soon after coming on board, Antonio Carlos Salles approached the Ministry of Health in Brazil, convincing policymakers that varicose vein procedures are medically necessary. "This change doesn't mean we'll get the business — we have competitors — but we're now in a position to sell more product," says McBride. "And at least we're not precluded by government policy from being successful in the market."

McBride credits Salles' business acumen for achieving a "quick win" on varicose vein procedures. "There are a lot of government affairs executives who are geniuses at building relationships, but we don't have the luxury of investing over a long period of time in the hopes that relationships pay off," he says. "Yes, we're doing events and activities that build strong ties and trust — we want all of that in country for our company — but without the business mentality, it's hard going."

A dramatic reversal of government policy also helps turn skeptics into believers. In Latin America, the reluctant regional president has since become a staunch advocate of the GR function. Today, Covidien has six GR professionals in the region — four in Brazil, one in Colombia and one in Mexico — and the numbers are likely to increase.

Communicating Successes

Legislative successes, says McBride, can help burnish the image of GR, a function that is sorely in need of a makeover.

"If we operate as a black box that only a select group of government affairs professionals understand, we're going to have a hard time building support among the business executives who run regional businesses and entire business units," McBride contends. "They'll look at us as a Harry Potter enterprise that is telling people, 'You don't understand. Leave it to us.'"

He continues: "What's worked well at Covidien is to open the black box, let everyone see inside and make the business executives part of our overall success. We translate what we do in a way that's understood by both engineers and business executives," he says.

This transparency also benefits the GR professionals.

"Without this coordination, our government affairs professionals are disconnected," says McBride. "And if that happens, the business president is going to say, 'What's that person doing? He's off working on relationship stuff that has nothing to do with our business imperative this quarter.'"

PART TWO
Building The Global Function

That successful businesses operate globally has been axiomatic for the past few decades. The argument that government relations should also be global has taken longer to gain momentum.

"Issues move around the world at warp speed. In the past, you could talk about containing an issue and not letting it migrate around the globe, but today you really can't," says Interel CEO Fredrik Lofthagen. To illustrate, he says that plain packaging for tobacco products is being hotly debated in Europe this year, and the number-one reference point is Australia, which enacted the Tobacco Plain Packaging Act in 2011. "Five or 10 years ago, no one in Europe would have cared what the Australians are up to. But that's changed," he says.

Part of the push for globalization on policy issues is coming from NGOs, which have grown "increasingly sophisticated about how they get their issues tabled," says Lofthagen. He notes that an NGO promoting a ban on animal testing for cosmetics might research various markets and make its case in the most hospitable one. After scoring a success, presenting the same case internationally is far simpler because legislators watch what's happening in other jurisdictions.

Getting Management Buy-In

Lofthagen urges companies to define the GR discipline quite clearly and explicitly: "We might have colleagues who say we work with public affairs, but they see themselves as old-school government relations practitioners. And we may have colleagues who work in public affairs who see themselves broadly as communicators. It's important to work out the terminology from day one, or else the wheels fall off."

Once "government relations" has been defined, top executives from the CEO to the board must be genuinely committed to creating a global GR function. "You need senior management buy-in. If you don't have that, you have nothing," says Martin Cargas, senior advisor at McLarty Associates.

Because not all chief executives immediately grasp the rationale for global GR, a key part of the job is making a compelling case for the function. Too often, says Cargas, executives argue that the local team can handle government relations in its spare time — or GR can be managed domestically with an annual trip to each of the regions.

To counter arguments like this, Cargas suggests saying: "'You need an international government affairs function for the exact same reason you need a domestic government affairs function. Government affairs protects and grows the business.'" At Anheuser-Busch, where Cargas once ran the government affairs function, management understood that sustainable relationships take time to build and maintain. "We knew that when we were asking for help, we didn't want to be meeting that official for the first time," he says.

Buy-in from leadership means more than budgetary support. What's sometimes most critical is a willingness to actively engage with government leaders outside the U.S. "Public affairs needs to be part of the job description for senior executives and country managers," says Cargas. "It's amazing how enthusiastic and good at this they'll become once it's part of their evaluations."

Chris Porter, chief government affairs officer for Novo Nordisk, maintains that once a multinational decides to

Some U.S. companies opt to run their ASEAN government relations from Singapore (above); but at other times, it's best to establish a presence in a specific country in the region where policies critical to the company are being enacted.

move beyond local GR into a more global realm, "everything needs to be very tightly managed and to have achievable and smart goals."

He continues: "You could spend your life going to Brussels and never get anything done. There are lots of international lobbyists who have eaten lunch and dinner in Strasbourg and Brussels for a long time. But I think that if you're going to do global government affairs, you have to be really disciplined. You have to ask the hard questions: What are we trying to do? Who are we trying to influence? And what resources do we need to do it?"

Lisa Schroeter, global director of trade and investment policy for Dow Chemical, points out that having a truly global GR function broadens the way professionals in the function regard their own roles and spheres of influence. In April 2013, for instance, the president of South Korea and the prime minister of Turkey visited Washington, and Dow executives at headquarters found opportunities to meet with them.

"We can leverage the great Washington environment to make the right introductions and forge relationships for the regions," says Schroeter.

"In the regions, like with any job, most colleagues have a project-oriented mindset," she says, noting that opportunities outside one's own country aren't always perceived as part of a broader engagement strategy. "We're using the global GR function to drive a more global mindset," she says. "We want to break the territorial mindsets and focus on opportunities, wherever they might be."

Where to Place GR Resources

Once a multinational commits to the GR function, the question becomes: How much business does one need to do in a given market before dedicating a GR person to that country? Cargas, who spent 10 years overseeing global government affairs at Anheuser-Busch, says the beer giant wanted public affairs expertise in all countries where it owned and operated breweries. Beyond that, it placed a government affairs professional in any country with annual sales exceeding $40 million.

The Timken Co., a Canton, Ohio-based manufacturer of mechanical components, uses the Heritage Foundation's Economic Freedom Index to assess the degree to which a foreign government might potentially interfere with business. "All things being equal," says Jeffrey Dafler, the company's director of international government affairs, "the more engaged the government is in a particular economy, the greater the need for government relations."

Often, where GR has a presence depends upon circumstances. Mark Dober, senior director at Ellwood Atfield in Brussels, says that an American company might run ASEAN government relations from Singapore. Say, though, that political problems arise in Bangkok or the Thai government is changing policy critical

GR in Europe vs. Asia-Pacific

In 2008, Erik Jonnaert moved to Singapore to consolidate and strengthen Procter & Gamble's Asia-Pacific external relations function, which includes government relations, after many years in Brussels and Geneva as the company's vice president of external relations for Europe. Jonnaert, who became secretary general for the European Automobile Manufacturers' Association in October 2013, after almost 30 years at P&G, identified three main differences for how GR works in each place:

❶ "Governments are more receptive to working with business in Asia than in Europe," Jonnaert says. He suggests that many Asian countries are eager to partner with companies as a way of achieving economic growth, which will "trigger more prosperity for their markets and their citizens."

❷ "In Europe, the interaction with governments tends to be organized primarily through trade associations," says Jonnaert. He notes that governments in Europe like to encourage the business community to reach alignment on their own as part of what he terms a "well-established consensus approach." When, for instance, P&G wished to engage in the debate about EU chemical legislation known as REACH, it did so primarily through CEFIC, Europe's leading chemical industry association.

In contrast, companies tend to interact with Asian governments on their own, and this direct interaction is generally well-received. One explanation for the difference, Jonnaert suggests, is that trade associations are in their infancy in most markets across Asia, especially in the emerging markets in Southeast Asia and China. Major markets like Japan, South Korea, Australia and India have well-functioning trade associations that play a very proactive role in the policy-making process.

❸ Jonnaert believes that social media is increasingly a very useful GR tool across Asia-Pacific. "When citizens in Asia feel that the government doesn't listen to them, they raise their voices using social media. You see this especially working effectively in China and in Korea," he says. "This phenomenon happens in Europe, too, but citizens in Asia are using social media in greater numbers to share their opinions with governments."

to a company's industry. In those instances, the regional person would fly to Thailand and then either hire a local consultancy to firefight or designate a local employee in Thailand to take on the GR role. "It really comes down to these questions: What's the business opportunity and threat? And can the local country afford and sustain a government affairs person?" he says.

"Most companies aren't threatened enough and so don't have public affairs people in every country in the world," says Dober. "And so, at the end of the day, it comes down to making choices."

He also points out that certain global GR hiring patterns have been established worldwide. Often, a company will run its Latin American government affairs function from Brazil and Mexico, which are generally the two most important regional markets — and the ones most likely to have GR talent. Other companies, such as Harley-Davidson, manage their Latin American GR programs from Miami.

Centralized or Decentralized?

When asked whether AstraZeneca's global GR function is centralized or decentralized, Rich Buckley, the company's vice president for North America corporate affairs and former head of European corporate affairs, can truthfully answer: both. The pharmaceutical giant has global staff linked to headquarters, as well as purely regional GR employees who report to the marketing companies within the various divisions.

McLarty's Cargas believes the centralization question has no easy answers because multinationals are all organized so differently. In general, though, he observes that new global GR functions often benefit by being centralized. After the global GR function grows and evolves, a more decentralized model makes sense. "The larger the operations outside the U.S.," he says, "the more decentralized you must become."

No matter where a company lands on the centralization debate, there should be at least one person in the company, preferably someone at headquarters, who assumes responsibility for global GR, says William Black, senior partner at Fleishman Hillard. "All government relations issues are on a continuum," he says, noting that zoning is perhaps the most local issue, while cybersecurity and environmental policy are the most global. He contends that because there are so many issues to be tackled, having one individual who sees the big picture can be an enormous benefit.

CASE STUDY

SAP Aims to Partner With Mideast on Youth Employment, Strengthen Global GR

When Selim Eddé joined SAP three years ago as vice president, government relations, for the Middle East and North Africa, he discovered the wealth of software applications the company produces and began likening his job to entering a "Lego store," where a child can build anything he or she desires. Instead of presuming what government needs, SAP's approach to government relations is simple: Ask the government to name its major pain point, knowing very well that SAP is capable of addressing it.

When Eddé asked governments in key countries within his region, like Egypt, Jordan, Lebanon, Saudi Arabia and the United Arab Emirates, to name their priorities, he repeatedly was told of the pressing need to tackle youth unemployment.

"In many cases, there is a job that exists and is being offered, but the employer and the job seeker cannot find one another. It's a matchmaking question," says Eddé. "You can solve these problems manually when there are five or 10 people, but you need a sophisticated offering to do this across an entire country."

Lindsey Held, vice president of global government affairs at this German business management software firm, emphasizes that projects like GENIE, SAP's job search and training portal, can help countries alleviate a "huge headache."

Eddé, who is based in Dubai, notes that youth unemployment is a complex issue, which SAP has broken down into four parts:

1. Job Linkages: One key issue is understanding precisely what jobs exist. "A lot of people are using social media to find their next jobs," Eddé says. "We can analyze and match the postings with the person looking for a job." Here, getting to know constituents is critical. Thus, case management software can be most pertinent for identifying the right job for the right person.

2. Up-Skilling: Another issue is training individuals who have aptitude but are missing specific skills for securing a particular job. Here, SAP looks at tools that measure a learner's aptitude and help him or her gain the training necessary to secure employment. Eddé says that when effective training takes place, more than 80 percent of the trainees find jobs.

3. Entrepreneur Empowerment: Eddé's team had an "aha moment" when considering who is creating the next wave of jobs. The answer — small and medium-sized enterprises — convinced the company that helping SMEs locate the right workforce to grow had to be part of GENIE's mission. Here, the government needs to create the right policies, mindset and environment for SMEs to have access to new markets, trusted advice, finance and cloud-based productivity tools. In addition, it's important to reduce red tape.

4. Governance: The adage "You cannot manage what you cannot measure" is key to the success of GENIE. Multiple stakeholders generate the big data involved in the GENIE initiative. The challenge is making sense of the data in real time and turning data into knowledge.

SAP is doing far more than creating a portal; it's "creating a platform for economic and social development," says Eddé. Going forward, he believes that global government relations practitioners will need to facilitate what he terms "public, private, people partnerships." He continues: "We're helping solve problems of society and partnering with countries and governments to do so."

Held says SAP has "a huge global footprint" but a relatively small government relations team, consisting of roughly 20 individuals. Because of the modest size of its GR team, the company is working to prioritize its advocacy efforts in a very disciplined way.

She says SAP's most pressing GR concerns are roughly evenly divided among the worldwide and the regional. At a high level, she identifies cloud policy as the company's number-one GR issue, a difficult topic that also encompasses privacy and cybersecurity. At the other end of the spectrum, a local issue like market access in Brazil must also be addressed.

Balancing the regional and global issues isn't easy, Held acknowledges. And she notes that while SAP's GR function is currently quite decentralized, she would like to see the pendulum swing toward centralization.

"We don't want to lose sight of the more strategic direction and bigger-picture goals that we have to maintain as a GR function," she says. "The local teams and regional business heads are focused on quarter by quarter, but government affairs is not a quarter-by-quarter game." She is convinced that if GR can be centralized, it will be easier to give longer-term priorities their due. To illustrate, Eddé notes that GENIE might hold considerable appeal outside the Middle East and North Africa because youth unemployment is also a problem in Greece and Spain.

For Eddé, the true goal of global government relations is forging partnerships to help solve society's most pressing challenges. "Once you do something that governments really appreciate, then you start developing lasting relationships," he says.

A Regional GR Hub: Pros and Cons

Timken built its global government relations function by creating GR roles in the five markets outside the U.S. that it deemed most critical.

As the company's overseas sales continue to increase, Jeffrey Dafler, director of international government affairs, is considering adding a regional role.

With growth often comes a desire to name regional directors. A regional director can be critical in coordinating a function that's operating in very different time zones and geographies.

On the other hand, many regions contain so much diversity that a single person can't adequately manage them.

Interel's Lofthagen points out that for a company to base its entire Asia-Pacific function in Hong Kong, which was returned to China in 1997 after many years of British rule, can be a mistake.

"Hong Kong and mainland China have a complex relationship that can create obstacles for outsiders," he says. "In China, most people would prefer someone flying in from Europe than coming from Hong Kong."

Regional management raises other questions, as well.

One government affairs professional from a U.S. company questions the appropriateness of someone from China overseeing government affairs for Vietnam, or someone from Russia being a public affairs person for Ukraine, because of the cultural and language differences.

On the other hand, the regional model lends itself well to Latin America because of linguistic and cultural overlaps.

Which is the better GR hub: Hong Kong (above) or China? "Hong Kong and mainland China have a complex relationship that can create obstacles for outsiders," says Interel's Fredrik Lofthagen. "In China, most people would prefer someone flying in from Europe than coming from Hong Kong."

CASE STUDY

Dow Embraces a Regional Approach to Global GR

In early 2012, when Dow Chemical combined its government affairs and public affairs functions, it also established regional directors in six key areas: Bangkok, Beijing, Brazil, Brussels, Dubai and India.

Lisa Schroeter, Dow's global director of trade and investment policy, points out that each of these locales had an existing government affairs office, a large manufacturing presence and appealing growth opportunities. Historically, Dow has placed a strong emphasis on global government relations, with 28 of its 40 GR professionals based outside the United States.

How regions are carved out sends important signals and therefore requires careful consideration, says Schroeter. Dow did not want to manage the entire Asia-Pacific region out of Beijing because China is already a dominant entity and the company needs to show other Asian countries that they're getting ample attention, too. "Managing Asia-Pacific from China is a little like saying you're managing the Americas from Washington, D.C.," says Schroeter. "With a structure like that, it's not clear you will pay a lot of attention to Canada or Mexico."

Dow also decided against following the popular trend of placing a regional director in Singapore. The chemical giant instead chose Bangkok because it has a larger manufacturing presence there.

Why a Regional Approach?

At Dow, certain GR professionals are designated global issue leaders, specializing in energy, climate change or (in Schroeter's case) trade policy. She points out that Dow is currently engaged in a number of trade negotiations in the ASEAN countries. "If you want a coordinated effort and you're saying the same things to the governments in Thailand, Singapore and Indonesia, you have a much better chance of success than if the GR person in each country is doing his or her own thing," she says.

In other areas, having a regional director makes sense because the company's efforts are spread among various countries.

A case in point is Europe. Dow's business headquarters is in Switzerland, but it has large manufacturing centers in Germany, the Netherlands and Spain. Having a Brussels-based GR director means that the various European efforts can be coordinated without any one country's interests dominating.

Schroeter points out that the reporting structures support Dow's aspirations on the GR front. The fact that Dow's head of global public affairs and government affairs, Matt Davis, reports directly to the CEO gave him the alignment necessary to create the regional hubs.

In addition, each of the regional directors reports to the business leader in that country, with a dotted line reporting back to corporate and government affairs. This reporting structure ensures that "the government affairs function is closely tied to the business priorities so that you deliver tangible value in the region," says Schroeter.

Reporting directly to the businesses helps the GR mission be better understood. "One of the hardest things in the government affairs field is that many of our successes come from avoiding something negative — and it can be hard to convince the businesses that this truly is a win," Schroeter says.

The close reporting relationship helps allay some of these concerns. "This new structure has created a very empowered, people-oriented GR organization," she says.

Reporting Structures

For better and for worse, there's no clear and obvious reporting structure for a global government relations department. That said, where GR is housed within an organization and how it's linked to other functions often proves critical. "The global affairs function has got to be totally integrated with the rest of the company — with the legal department and with the domestic government affairs function," says McLarty's Cargas. "In the beer industry, you don't want to take a position around responsible drinking and drunk driving in one country, and then another position in another country. In these days of viral communications, that inconsistency is going to be exposed."

Ideally, maintains Cargas, in-country GR people will report directly to the main GR office. He analogizes GR to the legal department inasmuch as both derive value from furnishing unbiased counsel. "Let's say business is not going well and the country manager wants to cut [an ill-advised] deal with the government. If you're reporting to the country manager, you're beholden. You can't give independent advice that this is not how to do things," he says. Consequently, he recommends a dotted-line relationship to the country manager.

Medical supplier BD recently decreased its U.S. GR headcount by two and used these two positions to form a worldwide team, providing greater support to GR practitioners operating out of places like Australia, Brazil, Japan, Korea and Taiwan. The worldwide team is a resource for the regions and now organizes a meeting for all 20 of BD's GR professionals each year. "If you as a corporate function don't provide support in country," says Anthony Lakavage, the company's worldwide vice president, public affairs, "I don't care what the reporting lines are. You're not going to be well-received."

Finally, Tim McBride, vice president of global government affairs at Covidien, makes a similar point. He argues that too many companies waste time and effort negotiating reporting relationships. Covidien's Brazilian GR professional has a solid-line reporting relationship to McBride, while the Chinese GR expert does not. "I'm constantly checking in with the business president in China to say: 'Are we adding value? Are we addressing issues of concern for you? And if we're not, let's figure out what we need to do,'" he says. "I don't want to be viewed as someone who cares more about the reporting structure — dotted or solid line — than I do about the success of the enterprise."

Contributing to the Broad Business

Demonstrating that GR can make a positive contribution to the business is imperative.

McBride emphasizes that certain types of issues lend themselves particularly well to this project. He notes that his GR specialist in India is currently exploring ways around a tariff issue preventing the company from bringing more products into the country. "Is there a role for government affairs to reduce certain structural impediments, such as tariffs?" he asks. "I think the answer is 'yes.'"

Another way of aligning GR with the business is providing sage advice on where to position investments. "We've tried to provide incentives for locating certain manufacturing or other operations in country," says McBride. "That's a way for government affairs to directly benefit the bottom line by helping to negotiate economic incentives."

A third example of making a noteworthy contribution is unique to the medical supply industry. Covidien has begun building surgical training centers in key global markets.

"Doctors from the region can come and train on our surgical instruments," says McBride. "They're getting better training than many receive in emerging markets in rural areas." So far, the company has opened surgical training centers in France, Japan and Shanghai, and doctors come from the Middle East and throughout Europe. Covidien is currently building another surgical training center in Brazil.

"At least for our sector, leveraging those investments goes a long way toward building trust and relationships with government officials, who see us as investing in the region," says McBride. "We don't want to be seen just as a multinational that wants to sell some product and not really be a member of the community."

Working With the In-Country Team

Many companies report that the most powerful resistance to GR comes from the business leaders within a foreign country. "If I can't make a contribution when the country president is under a lot of pressure to produce big sales, then he's

CASE STUDY

GR Mapping at Novozymes

Government relations can sometimes appear to operate in a vacuum, with skilled practitioners seeming to develop relationships almost for the sake of the relationships themselves. Novozymes is avoiding this problematic perception by making sure government relations is identifying the proper goals and then keeping them constantly in sight.

Danfoss' Fleming Voetmann, who formerly served as Novozymes' head of public affairs and media relations, maintains that while situating GR operations in a country's political capital is smart, these cities might be hundreds of miles from a company's actual businesses. Novozymes, for instance, is headquartered in Copenhagen, yet its European GR function is based in Brussels.

"Once you put your troops in place in these political capitals, very often they're on their own. They're remote from headquarters and, often, from where the business is," Voetmann says. To mitigate the sense of isolation and ensure that GR stays relevant, Novozymes recently embarked upon a GR mapping project.

A Mapping Manifesto

In May 2011, when Novozymes opened its public affairs office in New Delhi, the first priority was meeting with key business representatives to analyze the market and come up with a strategy — an approach Voetmann calls GR mapping.

"GR mapping gives a common understanding of what we're supposed to do. Sales and marketing feel they've been listened to and were part of setting the priorities for India's public affairs," he says.

When the GR practitioners sat down with the sales and marketing teams, the main principle was "follow the money," says Voetmann.

In the U.S., Novozymes has successfully concentrated on the household care and bio-energy markets and might have pursued a similar game plan in emerging markets. However, conversations with the sales and marketing team in India convinced the company to focus on the food industry, agriculture and textiles, a decision that has worked out well. "In this case," he says, "we're very glad that Copenhagen didn't drive the decision."

"When you're far away from headquarters, you want to make sure you have a thorough dialogue and analysis with local sales and marketing," says Voetmann. "It's to some degree common sense, but it can be overlooked."

Finally, GR mapping isn't an exercise to be performed once and then forgotten. Voetmann makes sure that the GR people in New Delhi travel to Bangalore roughly every two weeks. "Even though they're many thousands of kilometers away," he says, "[GR] becomes very integrated into the local business."

not going to view us as integral to his business growth," says McBride.

Winning over the local management is important to keep the GR team from operating in total isolation. "To get leverage for your function, it's important to anchor it locally," says Lofthagen. He continues: "If you're one person covering an area like India, with 1.2 billion people and a very complex environment, it makes sense to leverage local resources. And you really can't do that if you report into a central headquarters."

The in-country team can also help government relations immeasurably. BD's Lakavage urges GR professionals to "work with the country leaders to engage with government to understand what the priorities are." Unless a GR team understands the direction in which government policymakers want to go, he says, "You'll always be swimming upstream."

Recruiting the Right Individuals

When writing a job description, GR teams must first determine to whom the hire will report. And deciding whether the job will be housed within the legal or communications department can be critical.

Ellwood Atfield's Dober points out that the job title "external affairs" is something of a misnomer. "When I ask people in corporate lobbying functions how much time they spend externally, they'll say that 50 to 80 percent of their job is internally focused," he says. "They have to spend a lot of time in internal meetings understanding what the business is trying to achieve and translating that into a language that's meaningful to policymakers."

Fleming Voetmann, head of public affairs and leadership communication at Danfoss, believes that hiring local people for GR roles overseas is absolutely critical. "The way government relations is done in many of these emerging economies is so different from what we know in Brussels and Washington. We need local people to help us out," he says.

On the other hand, Evan Kraus, executive director at APCO's StudioOnline, contends that all rules about hiring locally have exceptions — especially for larger GR teams based in-country. While it's essential to have a local professional holding meetings and having conversations with regulators and policymakers, the individual in charge of political strategy could be an expat with a deep understanding of government relations and the country where he or she is based.

Whether or not it's advisable to hire a local person may depend on the market. Dober points out that Americans can be quite successful in Brussels. "They know their way around their own companies, how to get to the CEO; and because they're smart operators, they figure out the external piece," he says. These same Americans would not, however, fare so well in Germany or France because of the language barrier.

Julian Ha, who heads Heidrick & Struggles' global government affairs practice and has recruited for many global GR posts, observes that every situation is unique. In some cultures, a foreigner might succeed, while in others the hire would be perceived as a troubling signal. In Asia, for instance, deploying a Singaporean to mainland China could be a recipe for problems. That's because some Chinese perceive Singaporeans as arrogant and may balk at such a reporting arrangement. "Having someone in charge of the hiring decision who understands these cultural nuances really matters," says Ha.

In addition, some companies tend to hire "political nerds, who live and breathe policy," observes Lofthagen. While a fascination with government is a plus, it's equally important to take a strong interest in business. "If you can't connect with the business strategy, you're not a player in the organization," he says.

The Cultural Piece of HR

When deciding who should be sent overseas to accept a GR role, certain attributes tend to correlate with failure, according to Professor Gary Weaver, executive director of the Intercultural Management Institute at American University. He notes that studies of Americans working in Tokyo 15 years ago showed an astronomic drop-out rate of 30 percent to 45 percent. "American companies have gotten better at choosing who to send overseas because it saves money," says Weaver. "You can't afford to send people overseas who don't know something about the culture or are going to burn out fast."

Choosing someone for an overseas assignment is different from selecting someone for the equivalent assignment at home. "In the U.S., we like people who get things done, are well-organized and are intolerant of ambiguity. That kind of

In looking for the right candidate, experts cite flexibility, agency or multinational experience and "cultural empathy" among their most coveted traits.

person could be a disaster in the Middle East, where meetings start late and relationships are so important," Weaver says. He notes that with careful screening and cultural training, he's been able to help companies sending employees to Saudi Arabia achieve a drop-out rate of a mere 1 percent.

Weaver points out that the best predictor of success for working within a very different culture is a high tolerance for ambiguity. Specifically, those who succeed tend to be flexible and unflappable in uncertain situations.

He's also convinced that individuals who demonstrate "realistic cultural empathy" — in other words, an ability "to put themselves in other people's psychological and cultural shoes" — also fare well overseas.

Experience in Matrixed Organizations

There's no single path to government relations success, a truism that is particularly relevant in international markets. Voetmann points out that hiring someone with an agency background at a global consulting firm often works well because these individuals have amassed "international know-how" by working on several different portfolios.

Another terrific item on a résumé is work experience at another multinational. Familiarity with how multinationals — especially highly matrixed ones — operate is a distinct advantage.

However, finding talent can be difficult in markets that have only a rudimentary sense of how the public affairs discipline should operate. For this reason, flexibility is a virtue.

Many companies have succeeded by splitting reporting duties with an associated function, usually legal or communications.

"Having someone with dual reporting responsibilities does sometimes create issues, but half a person might be better than no person," says Voetmann.

Because of the various challenges afoot, recruiters like Dober recommend interviewing several candidates before arriving at a short list of three to five.

The search process can also be quite lengthy. He suggests that the typical global GR search takes a minimum of three months to complete.

CASE STUDY

Timken Taps Employees for Lean, Mean Global GR Program

For most of the past decade, The Timken Co., based in Canton, Ohio, has grown fastest outside the U.S., and yet its GR function was until quite recently focused exclusively on the domestic market.

In 2009, when Jeffrey Dafler, director of international government affairs, began building a global GR function from the ground up, the company was still struggling through the financial crisis and had a limited budget. He spent months investigating programs at peer companies before inviting handpicked Timken employees to help pioneer a GR function with dotted-line relationships back to him.

Getting Started

When initially deciding which of Timken's 30 national markets to prioritize, Dafler studied the company's geographic distribution of sales and anticipated future growth rates. He also looked at the number of associates based in a given country and the Heritage Foundation's Economic Freedom Index rating.

Dafler then assigned each of the 30 countries a numerical composite rating, an idea particularly well-suited to a company of engineers, where a rigorous process backed by hard data engenders respect. He recommended 10 possible markets, and the leadership team chose the final five: China, France, India, Poland and Romania.

"It's really important to take the time up front to do the benchmarking and analysis and to engage your company leadership in the conversation," says Dafler, who personally spoke with all 50 of Timken's leaders while structuring the program. "I walked them through the process of what we were trying to create as a new capacity in the company and got feedback about what they'd like to see."

Identifying Talent

At first, Dafler envisioned a standardized model for structuring all GR programs. However, he soon realized that instead of co-locating GR with a particular department, such as communications or legal, the better approach would be to select talented individuals and let them form the nucleus for this new function. "It's messier this way," he says, "but finding the right people is absolutely critical. There's no one-size-fits-all approach for doing this."

In order to identify suitable candidates for the role he dubbed "GR liaison," Dafler met with HR representatives and senior leaders in each market. In China, he selected a communications expert, while in Romania, he tapped an attorney specializing in EU law.

Beyond professional credentials, certain cultural characteristics proved critical for success. Dafler doesn't require the GR liaison to be a national of the country where he or she works, but he does expect linguistic fluency.

The GR liaison post was designed to require anywhere from 30 percent to 50 percent of an individual's time. First came a brief round of training followed by a hands-on learning phase.

For the launch, Dafler flew in and spent several days working alongside the GR liaison. He believes that the personalized training is what distinguishes this approach.

Eventually, the responsibilities and time commitment of the in-country GR role will grow, Dafler says. He notes that the part-time GR trainee in China, for instance, was eventually promoted to general manager of communications and government affairs.

In the end, Dafler maintains that establishing a global GR function on a shoestring has certain distinct advantages. At Timken's international offices, GR has grown organically, and the business leaders clearly recognize its value.

"Even if I were given a blank check," he concludes, "I wouldn't want to go out and hire someone in a market where I wanted to build a program. I'd start out the way we did."

Quality comes at a price: Hiring a seasoned GR professional can be costly — particularly in Brussels (above), where lobbyists often command high salaries.

Dollars and Cents

Over time, hiring a talented government relations person has become a more expensive proposition.

Ellwood Atfield's Dober points out that Brussels is home to approximately 20,000 lobbyists, many of whom are quite highly paid.

In other markets, such as Africa and Latin America, GR professionals are a much scarcer commodity, and for this reason they are commanding impressive compensation.

Dober also points out that Singapore and Hong Kong — two hubs for recruiting government affairs professionals for Asia-Pacific — are very expensive places to live, so expats accepting jobs there expect to be paid handsomely.

He says that in Hong Kong, it would not be unusual for a seasoned GR professional to earn $300,000 to $500,000 a year.

According to Lofthagen, salaries are almost always commensurate with the demands of the job.

Tapping seasoned professionals is always expensive, and a company has to compensate when it adds requirements like an MBA degree.

"With the requirements going up, so does pay. And with the importance of the function being recognized, you also have to pay more money," he says.

Jamie Moeller, managing director of the global public affairs practice at Ogilvy Public Relations, shares similar insights.

"There's a perception that if we do government relations in markets outside the U.S., hiring people will be cheaper," he says, noting that salaries have risen everywhere. "The days are long gone of thinking you could do government relations in China, India or Brazil for significantly less than you do it in the U.S. or Brussels."

Paying competitively is important, especially because multinationals tend to steal one another's top talent in markets where GR practitioners are in short supply.

"In all these markets," says Moeller, "there's an intense battle for qualified GR talent."

CASE STUDY

Cargill: Greater Transparency Through Chargebacks

When country managers and regional officers see GR expenses itemized on their year-end reports, they often respond by griping and second-guessing. Cargill, which has 72 different business units in 65 countries, has adopted a unique chargeback model to manage this. At the start of the year, Cargill corporate affairs negotiates a bill for each of its businesses based on the work to be done by its 250 GR and public relations experts.

"In some models, government relations is a big black box," says Mike Fernandez, Cargill's corporate vice president for corporate affairs. "Managers get a number at the end of the year and everyone complains about SG&A [selling, general and administrative expenses]. Why is it always going up?"

With a chargeback model, there are still conversations about whether approaching government makes sense, says Fernandez, but the difference is that everything is more transparent.

In Cargill's chargeback model, the GR and communications professionals function as account managers. Each year, they sit down with the company's 72 global business units to discuss what was done the previous year — and whether the business unit wants the same services or has new priorities.

Out of these conversations, the corporate affairs team, which includes both GR and communications professionals, crafts a business plan that tallies hours to be worked and a billing rate for the services requested. Fernandez says that while some GR projects are performed for the company as a whole and are not billed to individual country managers, more than 80 percent of GR salaries are recovered through business unit billing.

The chargeback model is also attractive because it allows GR to staff based on actual demand. In China, Cargill knows what government-related work is on the horizon and has hired the number of experts needed for the projects; the company then assigns portions of each GR staffer's salary to the appropriate projects and units (the primary internal clients) within China.

Fernandez acknowledges that the chargeback model might be particularly well-suited to B2B providers like Cargill, which acts as a supplier to some of the world's largest food companies — Coca-Cola, General Mills, Nestlé, Unilever and Yum Brands among them. He points out that as Cargill's customers expand globally, so must Cargill. Years ago, Mars asked Cargill to set up shop in Russia to fulfill its need for cocoa and sweeteners. And today, Cargill is building the world's largest integrated chicken plant in China's Anhui Province to support the growth of some of its global customers, like McDonald's.

There are, of course, drawbacks to the model. Negotiating service-level agreements on an annual basis is time-consuming. "Sometimes," says Fernandez, "the business units say, 'You've got to cut me a break and reduce this bill by 10 percent.' And then I say, 'What is it you don't want us to do?' You don't want to keep getting beaten back on price until you really can't do the job."

Reaping Benefits

Among the advantages of a chargeback model is efficiency. "In the ideal world of staffing," says Fernandez, "you want to be organized just a hair above the valley, but when you're getting to peaks, you may have to shift resources around or tap an agency on the outside to give you a helping hand."

Fernandez argues that the savviest GR and communications professionals welcome the challenge of a chargeback model, even if it might intimidate less confident practitioners. "If you're good at what you do, the chargeback model shouldn't scare you," he says. In fact, Cargill corporate affairs has found that demand for its GR services has grown steadily over time.

Above all, Fernandez emphasizes that a chargeback model sensitizes GR and communications to the needs of the business. "Government relations only grows as a unit as our businesses grow," he says. "This really laser-focuses us on the drivers of success."

PART THREE
Leveraging External Resources

While he was head of European corporate affairs for AstraZeneca Pharmaceuticals, Rich Buckley faced the tough choice of trying to influence Brussels policymakers and EU institutions or supporting the company's in-market staff in their various government affairs endeavors. Doing the former requires a large, well-connected cadre of professionals, while doing the latter can be accomplished with a very lean organization supplemented by consultants and other outside resources.

Frequently, a decision like this comes down to pragmatism. "If you find Washington difficult, frustrating and hard to manage, Brussels is by orders of magnitude more complex," says Buckley. "The scale needed to have a big impact across the various institutions was just beyond our current reach. We opted instead to have a lean Brussels-based team, complemented by agency support, to focus on very specific outcomes and to work with industry colleagues and trade associations on the macro priorities."

Using Consultants

For multinationals testing the waters for building a global government relations function, the first questions are: Should we build the GR function ourselves? Or do we use consultants?

In the early days, many global government affairs functions hire consultants because a full-time employee is hard to justify.

Nels Olson, head of the government affairs practice at Korn/Ferry, observes that consultants typically shine at solving temporary problems. Longer term, however, staffing and running the function internally usually makes sense. "It's much better to have your own team in place," he says. "They're dedicated to the company, and if you use consultants, the relationships accrue to the company and not the client."

Martin Cargas, senior advisor at McLarty Associates, has a slightly different take. He points out that consultants can give a company enormous bang for its buck. For the same cost as hiring a single full-time GR professional, a company can often hire two or three consultants.

Connecting Through Associations

When The Timken Co. began building its GR function, the company decided to rely heavily on outside resources, such as trade associations and government task forces, to make progress quickly and without enormous expense.

In China, for instance, Jeffrey Dafler, Timken's director of international government affairs, asked employees on the ground whether they knew of specific opportunities to partner with government. Because the Chinese government publishes detailed five-year plans laying out priorities for each industry, identifying emerging trends was fairly straightforward.

Timken quickly zeroed in on the Chinese government's desire to develop renewable energy capacity. The company, which designs and manufactures bearings and steel components for wind turbines, reached out to the quasi-governmental China Wind Energy Association and became a founding member of the U.S.-China Energy Cooperation Program.

Multinationals operating in China find working with groups like the U.S.-China Business Council or China-based trade associations invaluable.

Working with governments in their initial planning stages is particularly important for Timken, which can engineer its bearings to suit preferences as long as it understands what those preferences might be. The company therefore brought technical experts from its R&D team in Ohio to China to participate in a conference on wind turbine performance and reliability, hosted by both the Chinese and U.S. governments. Thanks in part to the company's GR initiatives, wind energy in China was one of Timken's fastest-growing market segments worldwide in 2012.

Timken's experience was hardly unique. When Cargas built Anheuser-Busch's global GR function, he found the U.S.-China Business Council invaluable. Anheuser-Busch also reached out to a China-based industry group — the China Beer Industry Association — and became its charter U.S. member, a distinction that gave the company considerable mileage with government regulators. Because of this connection, he recalls, "We had a seat at the table with some of the regulatory decision-makers when standards were discussed."

The Role of Technology

Given that so many GR professionals outside the domestic market report both to a country manager and to headquarters, there's an enormous premium on having systems in place to keep everyone connected, says APCO's Evan Kraus. Beyond connectivity, companies are beginning to envision creating a technology infrastructure that allows information to be shared and assimilated rapidly.

Kraus notes that to spot trends effectively, it also helps to use technology for intelligence gathering within particular countries. Some of the most obvious solutions are an intranet for the GR team and e-rooms for sharing documents. With the latter, individuals in different locations and time zones can work on the same document asynchronously. In addition, some companies rely on Microsoft SharePoint to work on documents simultaneously.

Kraus also encourages global GR functions to wade into the social media sphere. According to a recent APCO study, internal social media, when used well, promotes shared thinking, greater productivity and collaboration — all of which bear tangible results.

Whether a given technology solution gains traction depends upon the corporate culture. Only in more freewheeling enterprises do GR professionals tend to collaborate on documents in e-rooms. "In some cultures, it simply wouldn't work," Kraus observes. "Documents would never get shared, read and synthesized. In those companies, you need forums — a weekly or monthly call where important developments get reported and discussed."

CASE STUDY

Harley-Davidson Explores Tech Solutions For Global Communications

Harley-Davidson is very interested in the creation of a government-affairs-specific network application that allows the GR team, regardless of location, to plug in and review the latest notes or contacts connected with a global project, says Ed Moreland, director of government affairs at Harley-Davidson Motor Co.

Because the global GR team at Harley-Davidson is mobile, the system must allow on-the-go utility as a core function. For example, if members of the motorcycle maker's team are collaborating on the resolution of an issue occurring in a foreign country, it stands to reason that they may not always be in the same time zone.

"We would like relevant team members to share information in real time in a populated file that contains issue history, relevant contacts, future tasks and the assignment of tasks, among other capabilities," he says.

Moreland is convinced that an internal customer relationship management system that stores critical GR information and allows the right parties to access it would be enormously beneficial. He notes that two of the greatest challenges to running a global GR function are logistics and time zones.

"It's a unique challenge to provide meaningful input into global decisions when you're sitting in the United States," he says. "The more we communicate in real time, the more likely we are to be able to address issues quickly and effectively."

Harley-Davidson, which has dealers in 85 countries, recently placed regional leaders in Miami (for Latin America); Oxford, England (for Europe, the Middle East and Africa, or EMEA); and Singapore (for Asia-Pacific).

Although having a GR expert on the ground in these markets has proven invaluable, holding meetings is not an easy feat. "Unfortunately, on the rare occasion when we can assemble the entire team in person, there is never a time when someone won't be jet-lagged," he points out. "We rely heavily on conference calls and an internal system that allows us to share documents within the team."

A comprehensive software solution that could act as a central repository for all government affairs efforts would, Moreland believes, allow the function to make progress on sharing information in real time. "If Asia-Pacific and Europe are experiencing the same issue, we want to put the two [GR professionals] together so they can tackle it at the same time," he says. "We don't want to be re-creating the wheel every day."

Moreland is evaluating whether existing software can be tailored to this goal — or whether Harley's internal IT staff will be required to design and implement such a system.

PART FOUR
Making It a Success

Hiring the right individuals is one key piece of the overall global GR puzzle. Another is making sure that these individuals are fully integrated into the broader company.

For Danfoss' Fleming Voetmann, senior management must take the lead in fostering internal communications among farflung GR professionals.

"You cannot sit in headquarters, fly in once a year for two days and go home. That doesn't work," he says.

After traveling to one of the company's GR hubs, Voetmann recommends taking the time to see all aspects of how government relations is being practiced.

"Schedule a lot of time with your local colleagues, and don't just do meetings back to back," he says. "Sometimes if you have a cup of tea with your Chinese colleagues in an informal setting, you see another part of the reality."

Finally, Voetmann is an advocate of listening attentively to GR practitioners in other countries and learning from them.

His Novozymes colleagues in India recently wrote a report that got considerable media coverage and was even quoted by a government minister.

Voetmann put that success story into a one-page report so the entire team could learn from it.

Once you have the right people in place, making sure those individuals are fully integrated into the broader company is crucial, as is regular communication with headquarters.

CASE STUDY

Alcoa Strengthens Global GR Network

Before joining Alcoa as its vice president for government affairs and trade policy last year, Michelle O'Neill had over two decades of experience at the Commerce Department. "I've seen the complex situations American companies navigate around the world, from regulatory issues in Brussels to market access in Brazil. I decided to join Alcoa after leaving government because the company fully understands the value of having a robust government affairs practice," she says.

A Truly Global System

Unlike other major multinational corporations, Alcoa's government affairs practice is a stand-alone unit that reports directly to the CEO. The function has evolved considerably over the past few years — and now constitutes a global government affairs system that is fully integrated into the company's operations. "Professionals in each jurisdiction with significant Alcoa operations — 14 countries and the EU — are linked together into a cohesive network through biweekly regional calls that facilitate intelligence sharing and improve issues management. These are augmented by quarterly global calls and yearly in-person staff meetings," says O'Neill.

To quantify the process, the government affairs function created a global risk matrix that allows headquarters to track every public policy risk in real time. This document is now used to set priorities, as well as to brief the company's Executive Council and Board of Directors on critical issues that affect the business. Just as important, it has opened up communications with in-country staff, who increasingly look to headquarters for help as issues arise, before they hit crisis levels.

Goals for the Future

"In many respects, my job is to make this robust system even more dynamic and effective," says O'Neill. "I want to make three improvements: create communities of interest, leverage regional innovations and line up external consultants where needed."

Earlier this year, O'Neill led a day and a half of breakout sessions organized by region. The goal of this was to strengthen bridges between country staff so they knew to whom they could reach out for expertise beyond headquarters should the need arise. "In these sessions, we had spontaneous discussions about how to address issues from LNG [liquefied natural gas] exports in the U.S. and Australia to recycled content in Brussels and Spain," she recalls.

One of the most difficult hurdles to overcome in a truly global team is letting people know it is OK to need help sometimes, as there are certain issues that in-house teams don't have the requisite contacts or expertise to accomplish. "In those situations, an external consultant is often the best solution," remarks O'Neill. "By making it clear that the consultant is there to support — not replace — the in-country government affairs team, we are able to drive positive outcomes."

Overcoming National Tensions

Typically, battles over turf become exaggerated when members of the global GR team live in different countries. APCO's Evan Kraus points out that it's common for there to be intense rivalries between European and U.S. teams. And even within Europe, it's possible to encounter antagonism among the French, the Germans and the British.

The key to overcoming these differences is making sure that people meet face to face. "The more often people meet in person and the more global retreats and working sessions they attend, the better," says Kraus. Even communicating via video teleconference rather than phone fosters a stronger sense of being a team. "The human cues are what builds connectedness and a sense of shared purpose," he says.

Kraus also believes that incentives can be a powerful way to encourage greater collaboration. "How are people rewarded? How are they reviewed? What triggers praise from leadership? And what triggers scorn?" he asks.

Attending to Culture

When trying to create a truly global GR function, most executives are quickly confronted by cultural differences.

"Cultural IQ is a very big requirement," says Julian Ha, practice leader in global government affairs at Heidrick & Struggles. "How do you find the right cultural fit? And how do you onboard new people for this role? We help ensure clients don't place someone in this role who's going to clash and be counterproductive."

Fruzsina Harsanyi, principal at Harsanyi Consulting LLC in Washington, agrees. "A lot of people think cultural intelligence is not using your left hand or not showing the sole of your shoe. It's that, but it's more," she says. "Cultural intelligence is being mindful of the behaviors that may not be universal but that affect organizations and decision-making in diverse cultures."

She urges executives who want to learn this mindfulness to travel widely and to engage with other cultures, visiting local restaurants and meeting with local employees and government officials, rather than hurrying back to their corporate jets.

Heeding the Large Differences

In China, discussing business before having had two or three dinners together would constitute a faux pas. Interel's Fredrik Lofthagen furnishes this example to illustrate how mores differ by locale. Central to most interactions with individuals in other cultures is "the notion of building a relationship of trust," he says. In China, it would be difficult to deem someone trustworthy if one hadn't shared at least a few meals together.

Gary Weaver, executive director of the Intercultural Management Institute at American University, recommends observing how people in other cultures prefer to receive information.

"In the U.S. and northern Europe, we're visually oriented and we like words," he says. "We have a tendency to think that things should be put in writing as quickly as possible, and we don't hesitate to communicate in email or texting." He contrasts people from the non-Western world, who don't rely so heavily on written communications. "They want to see and hear you, and be physically present so they can develop trust. This means that you have to spend a lot more face time together. And if you start putting things into written words too early, it raises alarms," he says.

Finally, different cultures perceive age according to their own systems. Outside the U.S. and Europe, for instance, sending someone slightly older to represent a company is often a good idea. Weaver notes that businesspeople in Japan and many parts of Africa tend to venerate people who are older, and may ignore a younger person, even if he or she has an impressive job title.

Becoming More Culturally Adept

When first investigating another culture, researching protocol and etiquette on the Internet and through the myriad books devoted to these subjects is a good idea. That said, Weaver advises proceeding cautiously because information that's more than five or 10 years old may be hopelessly out of date: "In my opinion, bad training is worse than no training. You can really make mistakes, and the mistakes can be disastrous for your organization if the training is not of good quality."

CASE STUDY

Shell Takes Local 'Pulse' With Community Liaison Officers

In 1996, when Shell began building a gas plant near Manú National Park along the Urubamba River in Peru, the company transported materials by hovercraft and later found arrows on the boat. After some inquiries, Shell learned that the indigenous people in the Amazon jungle viewed the hovercraft as a devil or a large beast that could be slain with bows and arrows.

Shell was equipped to deal with such a development because it had established a formal role — community liaison officer (CLO) — to forge stronger relationships with the local people. "The CLO was responsible for feeling the pulse," says Andrew Vickers, vice president of NGO and stakeholder relations for Royal Dutch Shell. "If you're listening and you start to spot something going wrong, you can act. Little things can become big things, and so the secret is to take action quickly."

To stop the attacks, Shell invited the local chief to come aboard the hovercraft and look around. "The chief was able to position himself with the tribe as having tamed the animal because he had been on board it," says Vickers. He also notes that Shell rigged a bell system so that the captain could signal the hovercraft's arrival without startling locals.

Why Culture Counts

Vickers, who ran a small communications team for Shell in Iraq, Kuwait, Libya, Qatar and Saudi Arabia in the late 1990s and early 2000s, devised what he dubbed the R&R (reputation and relationship) approach to business development. "Often, we had no business in the country, but through stakeholder mapping, we could get a good idea of what made the society tick," Vickers says, noting that his team would then foster relationships between senior Shell staff and local decision-makers.

Key to this type of endeavor is the community liaison officer. The explicit responsibility of CLOs is to "manage the interface between the company and the outside world," says Vickers. Today, Shell has over 100 CLO positions, mainly in areas where the company has growth aspirations. Beyond hiring for these roles, Shell also invests in studying local cultures. In Peru, for instance, Shell sent an anthropologist up the river in a canoe for two weeks, and the anthropologist then briefed the leadership team.

Vickers notes that "most businesses do a pretty lousy job of getting the cultural pieces right," and yet these factors can make or break a project. Shell commissioned Goldman Sachs to study why so many oil and gas projects are suddenly taking longer to get on stream, and most reasons are not commercial or technical but concern human rights and culture. "There are billions of dollars at stake in getting the non-technical piece — the stakeholder and cultural piece — right," says Vickers.

Hiring CLOs isn't easy. "It's a balancing act," says Vickers. "You want someone locally oriented — that's the job — but you want him or her to follow global practices, too." Shell had no global strategy for CLOs before Vickers was hired to create one in January 2012. "In the past, we had as many NGO and stakeholder strategies as we had countries," he says.

Today, Vickers is devising overarching strategies for handling local headaches. "In a large organization like Shell, simplicity is the key — simplicity based on sound principles," he says. "You have to have policies that are universal. You cannot micromanage everything from the center. I don't need to know what's going on locally in Brazil, but it is important to have a timely escalation process. If things start to look as if they could go wrong, we need to be able to make the proper interventions in time."

Vickers emphasizes the importance of "really listening to the voices of the people who are going to have to implement the strategy." That's the only way, he says, for the strategy to resonate with local teams. Understanding so many systems isn't easy, of course. Vickers notes that in the U.S., the U.K. and the Netherlands, governments are "massive, open democracies," while Mideast governments function more like "family businesses."

Once a strategy is implemented, listening continues to be paramount. "You have to have antennae getting the local voice back into the company," says Vickers. "In the end, that's often far more valuable than the communications we deliver."

Beyond different greetings and how to hand out business cards, people should also consider what a culture values. For instance, says Weaver, inviting someone to a meal at one's home may have a much different cultural significance in another country. In France, says Weaver, inviting a business associate to one's home "is an invitation to begin a serious relationship," while in the U.S., the same gesture might carry no weight at all.

Although Lofthagen advises GR professionals to try to grasp the nuances of relationships in each culture, a true understanding is difficult, if not impossible, to come by. "It's important to understand that you don't understand everything and you'll never master all the subtleties of moving from India to Singapore or from China to Australia," he says. Because the subtleties of cultural meaning often get lost, Lofthagen advises global GR heads to look for local talent who can help navigate unfamiliar terrain.

Corporate Culture and Ethics

At some companies — especially those with storied histories and well-established cultures — the background of the various members of the GR staff is only one consideration. Another is a company's unique ethos and its reputation in the communities where it operates.

At Cargill, for instance, the corporate culture tends to dominate. "We have family members whose last name is the same as the company's, and all of them are descendants of William Wallace Cargill. They are very concerned about what we do as a company because it reflects onto the family name," says Mike Fernandez, the company's corporate vice president, corporate affairs. "And as a consequence, we are extremely sensitive to what it means to operate a business with the highest ethical standards and one that is sensitive to the environment and sustainable supply chains."

Ethics Training

When Morgan Stanley's Garth Peterson was accused of secretly securing millions of dollars' worth of real estate investments for himself and a Chinese government official, in addition to paying bribes to that official, the Manhattan-based financial-services giant suddenly faced an embarrassing investigation by the Justice Department. Morgan Stanley argued that Peterson was a rogue employee, an assertion that's historically been extremely difficult to prove. However, because the company could demonstrate that it had a robust compliance program in place and that Peterson had participated in compliance training at least seven times between 2002 and 2008, the Justice Department eventually dropped its case against Morgan Stanley and pursued charges only against Peterson.

An example like this shows why companies need exemplary compliance practices, says Virna Di Palma, director of strategic communications at TRACE International Inc., an Annapolis, Md.-based association that provides anti-bribery compliance solutions to multinationals.

Di Palma advises companies to assess the ethical risks they face on numerous levels, including one's industry, the number and types of suppliers engaged, and the countries in which a company operates. Executives can get a quick read on risk in any given country by consulting Transparency International's Corruption Perceptions Index.

Until recently, companies operating abroad were primarily concerned with the Foreign Corrupt Practices Act (FCPA) and the U.K. Bribery Act. Within the past few months, though, Brazil, China and Russia have also adopted anti-corruption regimens.

McLarty's Martin Cargas underscores the importance of distinguishing between cultural differences and ethical concerns. "If people don't wear ties when they work in a particular country, that's something you can bend on. But you can't bend on FCPA," he says.

Another example of cultural mores that bleed into the ethical realm is sexual harassment policies. "In other countries, men might say: 'What do you mean I can't hit on my secretary?'" says Cargas. "Culturally, they just don't get it. Americans have to understand how to operate in foreign countries; but by the same token, your foreign staff needs to understand how Americans work, too."

Key Components of an Effective Compliance Program

Virna Di Palma, director of strategic communications at TRACE International Inc., lists a few key aspects of a risk-based compliance program for multinationals:

- **Create an effective training program for employees and intermediaries.** Di Palma suggests that multinationals go beyond training their employees in compliance to training suppliers and other key intermediaries, too. A recent TRACE benchmarking study found that over 50 percent of companies train their third-party intermediaries. She also points out that over 80 percent of all FCPA cases and investigations involve a third party.
- **Make your compliance program defensible.** "You want to make sure yours is not a paper program, and that you're communicating your policy throughout the year," says Di Palma. She notes that compliance reminders and even regularly distributed quizzes are increasingly important.
- **Maintain adequate books and records.** Companies need to be able to document their compliance efforts very thoroughly in case an investigation is initiated.
- **Have an explicit gifts and hospitality policy.** "If you're interacting with foreign officials regularly, having a clear gifts and hospitality policy is important," says Di Palma. Because this area is rife with gray areas, she points out that it makes sense to limit the value of gifts and also to record the purpose behind all expenditures. "You really want to be able to document why your employees are giving a gift or providing travel or other accommodations to a government official," she says.
- **Craft a facilitation payments policy.** Some facilitation payments, such as payments for expedited delivery, are common practice. For this reason, the FCPA does not prohibit facilitation payments. However, Di Palma notes that many companies ban facilitation payments because they are illegal in many of the countries in which they're paid, send a confusing message and can be difficult to distinguish from bribes.
- **Test effectiveness.** Compliance leaders often perform an annual or biannual "internal audit" of their compliance programs to ensure they're effective.

For the Justice Department's FCPA compliance guide, visit: http://1.usa.gov/ZulHYB.

Laws on Lobbying

Charles Borden, a partner at Allen & Overy in Washington, points out that lobbying, a regulated activity in the United States, has begun to receive similar regulatory scrutiny in other jurisdictions.

He notes that both Canada and Australia have well-developed lobbying regimes at the federal and provincial/state levels, and the European Union requires registered lobbyists to make regular disclosures comparable to what is required under many U.S. lobbying laws, although a party needs to register as an EU lobbyist only if it wishes to enjoy certain privileges in accessing EU institutions. More significant, says Borden, is that "over the past few months, there has been a major push to regulate lobbying in a number of European countries, including the United Kingdom, Ireland and Spain."

Borden says that because lobbying laws vary so greatly in terms of scope and required disclosures, developing a comprehensive lobbying compliance framework can be a significant challenge for entities that operate on a global basis. In his experience, companies deal with this complexity in a variety of ways: Some build their compliance programs around the most stringent lobbying law requirements to which they are subject and apply those requirements across the board, while others focus their efforts on the "key jurisdictions where they're most active or where they face the greatest legal risk."

Finally, some multinationals deal with the significant variation in lobbying regulation through robust pre-clearance

programs. "Some companies put in place a policy that says no one interacts with a public official unless they've pre-cleared through compliance," Borden notes.

Remaining Humble

Danfoss' Fleming Voetmann recommends that global government relations practitioners check any impulse to be chauvinistic or arrogant: "We need to be extremely careful that we do not visit newer emerging economies and pretend that the way we do everything is best. People in India or China didn't appreciate that 10 or 15 years ago, but they might have let it pass. Today, it's a different ballgame."

He continues: The Chinese and the Russians "have gained much more confidence in themselves, and they're getting very tired of our dictating how things should be. I think that if we don't change our ways and take a humbler approach to colleagues in new markets, we'll run into serious trouble."

Michelle O'Neill, vice president for government affairs and trade policy at Alcoa, believes that a skilled leader can instruct by example. "Sometimes more junior members of the team will say, 'That person can't write in English. I always have to rewrite what he or she writes,'" she says. "And I try to teach sensitivity by saying: 'Wait a minute. Do you write well in Russian?'"

AstraZeneca's Rich Buckley emphasizes the importance of genuinely learning from one's GR colleagues abroad. "There are many countries, especially in the emerging markets, where there's undue bias toward local companies or where coalition-building and alliance development tactics are looked at skeptically or are outright illegal. You find government affairs professionals doing great work with massive constraints and scant resources. Their American and Western European counterparts take for granted that we work in democracies that were engineered to promote dynamism among citizens and their elected officials. That's just not true in many parts of the world."

Given that government affairs outside the U.S. can be so challenging, Buckley recommends that American and European practitioners be a little humbler. "You can't presume what works in Washington will work in Dubai or Abu Dhabi," he says. "One key to success is going in with a really open mind. You have to be willing to learn as much as you're attempting to teach."

Identifying 'Zero-Failure' Cultures

When people who don't share a common language meet, simply getting a true sense of what each individual is saying can be an enormous challenge. That's because even when the words are flawlessly translated, the cultural connotations can be missed.

"Failure" is one term that is viewed differently depending upon the nationality of the speaker.

In Asia, for instance, "failure" has very negative connotations.

"In the U.S.," says Danfoss' Fleming Voetmann, "people try to be very, very ambitious. It's not unusual to set yourself bold targets like going to the moon or Mars."

Americans realize that "even if we don't go to Mars, it's a bold ambition, and a lot of good stuff might come out of it," he says.

Different attitudes prevail elsewhere in the world.

"In Asia, no one would make going to Mars a success criteria unless they were 100 percent sure they could get there," says Voetmann. "In some Asian cultures, you're not allowed to fail."

Understanding an individual's cultural assumptions about failure can help a GR executive interpret the messages conveyed by various teams worldwide.

"The Chinese would tell me, 'We can save 20 percent on something,' and I'd know that they'd done all the math," he says. "Most people in the U.S. would say that if you know you can reach 20 percent, then maybe the goal should be 30 or 40 percent."

For Voetmann, the takeaway is to establish very clear key performance indicators at the outset.

Once there are common definitions around what achieving goals entails, everyone can communicate more effectively.

"You can't hire a really good person and leave him or her out there, and then bring the team together only once a year — maybe," says Fruzsina Harsanyi, founder of D.C.-based Harsanyi Consulting. "It's important to have people get on a plane for a face-to-face meeting. That's what makes the team come together."

Coordinating the Function

Many GR leaders pour time and energy into recruiting and hiring the right people for overseas posts but then don't follow through later. "You can't hire a really good person and leave him or her out there, and then bring the team together only once a year — maybe," says Fruzsina Harsanyi, founder of D.C.-based Harsanyi Consulting.

For many global GR professionals, the crux of the issue is how to create a top-notch network of GR professionals who are well-trained and kept abreast of what the company is doing in terms of government relations globally. "Some GR teams never meet, or they meet once a year," she says. "It's important to have people get on a plane for a face-to-face meeting. That's what makes the team come together."

Harsanyi cautions against being too timid about pulling in GR professionals from abroad for after-hours phone conversations or even face-to-face events.

"You have to create expectations for what level of interaction you want," she says. "The people who are out in the countries, they don't want to be ignored." Only by meeting regularly and having meaningful conversations will the team be able to collaborate on key issues together.

CASE STUDY

Baxter Uses Webinars and Fly-Ins To Build a Truly Global GR Team

When Baxter International hosts its annual Washington fly-in for a day of lobbying on the Hill, a government affairs professional from abroad is among the company representatives meeting officials and witnessing how the system works firsthand.

During the planning stages for the event, Sarah Creviston, vice president of global government affairs, invites regional leaders to nominate candidates to attend the fly-in. For the individual selected, she says, "It's an opportunity to participate in the U.S. process. They see what the right to engage means and what it looks like to advocate and have your voice heard."

Rewarding an individual from Baxter's 60-member government affairs team with participation in the fly-in is only one way that Creviston highlights extraordinary efforts. Annually, she awards framed certificates to individuals who have implemented a government affairs campaign that's had an impact on the company. "I always try to highlight work from the regions that meets the bar for excellence," she says.

"Campaigns to work with governments can last three to five years. And so you need to encourage people along the way," she says. "I want members of the team to say: 'My work is being recognized.' And I want the rest of the team to see what good work looks like."

Lights, Camera, Action

Two or three times a year, Creviston arrives at Baxter's video studio at 6 a.m. to hold a town hall meeting for the government affairs team. At this meeting, she discusses corporate strategy and key initiatives, such as reimbursement systems in different countries or a global initiative on biosimilars. Rising early isn't Creviston's favorite part of her job, but she believes it truly matters: "I do it because the team needs it to stay connected."

A few times a month, Creviston also schedules a webinar on a particular subject. When she can't get people from the regions to present, she uploads their photos to personalize the content.

The town halls and webinars are posted on a global collaboration website that uses Microsoft SharePoint. On this site, explains Creviston, is everything from policy papers to background research and toolkits that delve into a particular issue. Each region publishes a monthly newsletter with updates on all initiatives, and these, too, are posted on the site.

Also on the global collaboration site is an onboarding tool for new members of the global government affairs team. Often, she notes, government affairs professionals report directly to a general manager with a dotted line to global government affairs. She therefore believes that illustrating best practices on everything from the basics of lobbying to how compliance works is critical to getting new employees up to speed quickly.

What's more, Creviston has put together a three-part "GAP 101" government affairs program so newcomers and general managers can review aspects of lobbying. GAP 101 is a compilation of documents, allowing regional leaders to teach an interactive course that guides participants through building a strategy and creating their own stakeholder maps.

For Creviston, team-building is the cornerstone of how a global government affairs team must operate. "When one government is taking an action, they're often referencing other countries, especially in the health care space," she says. "We have to rely on each other, and we have to know which team member to call."

She concludes: "I want everyone on the team to make a clear connection between what they're doing and how it's driving global government affairs goals and the company's goals. We don't have parochial-type behavior anymore. Everyone just pitches in and helps out."

The time management challenge: "For all the wonders of technology and the ability to hop on a plane and be anywhere in the world, the biggest challenge is still time zones," says Ogilvy's Jamie Moeller. So even a small, symbolic gesture like holding meetings outside the U.S. can have a strong impact.

Engaging in Shared Learning

While most global GR heads call or email senior management when something momentous occurs, determining when to keep in touch isn't an easy call.

"How often do you do periodic updates?" asks McLarty's Cargas. "If you commit to a weekly or monthly update, sometimes you're wasting resources by creating a document that people don't read."

Cargas urges GR heads to establish a communications protocol for senior leadership. Ideally, this will keep the C-suite apprised of GR's mission, ensuring the function remains visible over time.

"For all the wonders of technology and the ability to hop on a plane and be anywhere in the world, the biggest challenge is still time zones," says Jamie Moeller, managing director of the global public affairs practice at Ogilvy Public Relations. "There are sleepless nights and early mornings. It's easy to get on a call once a month, but to make sure you're aggressively sharing best practices and people are raising their hands when they want help, that takes commitment."

Moeller is convinced that sharing knowledge and best practices is essential. He says technology has made interactions easier, but challenges still exist. Even something as small but symbolic as holding meetings outside the U.S. can make a real difference.

CASE STUDY

AstraZeneca: Demonstrating 'What Good Looks Like'

In 2012, when Rich Buckley, then head of European corporate affairs at AstraZeneca Pharmaceuticals, moved from Washington to London to strengthen the European arm of the company's global GR function, he had no illusions about becoming an expert in the Polish or French parliamentary systems. Instead, among his goals was exposing AstraZeneca's worldwide GR practitioners "to different ideas and tactics they might not yet have tried."

AstraZeneca's three-day "capability uplift" program is designed to help GR experts hone their public affairs and communications skills. For some, the goal is crafting a lobbying campaign; for others, it's learning the vocabulary to convey accomplishments more effectively to people outside the discipline. Buckley has found the program to be one of the "most impactful" things that the government affairs team contributes, because it promotes best practices and raises the collective standard of in-market government affairs professionals worldwide.

Three Modules

Each of the three modules in AstraZeneca's capability uplift program focuses on a different phase of strategic planning. Between summer 2012 and spring 2013, over a dozen markets — including Brazil, China, Germany, Mexico, the Middle East and Russia — participated in the program.

Module One, says Buckley, is an overview of the tools GR professionals use. The module covers everything from SWOT analyses of the legislative environment to identifying key political trends and conducting stakeholder-mapping exercises. Next, he asks participants to consider how to marry these skills with the company's commercial priorities.

Module Two focuses on setting smart goals and objectives for creating a sound GR strategy. Module Three takes the skills and goals from the earlier modules and converts them into a savvy lobbying campaign.

Although the capability uplift program always uses the same three modules, AstraZeneca tailors the discussion to the audience.

"In Germany," Buckley says, "they're sophisticated professionals who know how to manage their system. What they needed to improve was articulating their strategy in a systematic and comprehensive way." Among other things, capability uplift helps establish a common vocabulary so GR experts can make presentations to top executives in a way that truly resonates.

In other markets, cutting-edge GR practices are not so well understood. "Often," says Buckley, "the person who does government affairs wears many other hats, too, and government affairs may not be their first or second specialty. In markets like this, they're thirsty to learn what good looks like."

Finally, capability uplift lets the various markets share success strategies. In Russia, for instance, the middle class is growing rapidly and the government is investing in pharmaceuticals and other aspects of health care. As the health care system develops, Russian GR practitioners can learn from their counterparts in the U.S., who are adept at dealing with Medicare and other government-run health care programs.

Buckley was surprised by all of the GR resources and talent AstraZeneca possesses outside the U.S. "I end almost every program saying, 'I hope you've learned half as much as I have,'" he concludes. "I always walk away with new insights."

Determining the best way to measure the effectiveness of government relations programs remains one of the most vexing issues practitioners face today. Novo Nordisk's answer to this challenge was to create an effectiveness matrix, which it uses to help set priorities and identify opportunities (see case study, page 37).

Measuring Success: Benchmarking

For global GR practitioners, one of the biggest remaining question marks is how to measure the effectiveness of the programs they're launching.

Because so many global GR programs are relatively new and have grown up organically, they've yet to approach this problem with any rigor. Even determining which overseas market poses the greatest challenges remains a topic of intense speculation.

Although most GR practitioners were unwilling to speak on the record about which overseas markets are most difficult to navigate, several regions and countries were named, including China, India, the Middle East and Russia. And of these, Russia had the dubious distinction of being named most frequently.

CASE STUDY

Novo Nordisk's Effectiveness Matrix

In the fall of 2011, Chris Porter, chief government affairs officer for Novo Nordisk, relocated to Copenhagen with a mandate to create the first-ever written government public affairs strategy for this health care multinational. Among the associated tasks was devising an effectiveness matrix for measuring the success of all GR initiatives.

The desire for a local strategy with global metrics came "straight from the top," recalls Porter. Novo Nordisk markets products in 181 countries; and in around 60 of them, employees are tasked with doing public affairs. "You really need the critical support from above," says Porter. "It was very clear to me what I was supposed to do, and that really helped."

For 90-year-old Novo Nordisk, which has a long history in the diabetes space, GR is a clear imperative because diabetes care isn't handled particularly well by public policy experts. Porter notes that because the disease is not as high-profile as cancer or AIDS, preventive care doesn't always command the attention it deserves. "We're working hard to get diabetes high on the public policy agenda everywhere in the world," he says.

Starting From a Position of Strength

When Porter contacted peer organizations as a first step in writing a GR strategy, he immediately recognized his company's strengths. "I learned quickly that the fact that we have a global presence and we talk to each other regularly put us in the top echelon of companies out there."

Among Novo Nordisk's strengths is its Global Public Affairs Summit, which has been held annually since 2008. In 2009, the health care giant created an External Relations Board, consisting primarily of senior government affairs staff from the various regions and chaired by Executive Vice President Lise Kingo; the board meets on a quarterly basis to consider how the function might operate more smoothly.

Novo Nordisk also has a formal network so GR practitioners can communicate with one another through a website and an online public affairs portal. GR staff can write the public affairs network over a listserv, soliciting advice on a campaign.

In looking at how the program could be strengthened, Porter and his international team devised three main goals: developing an effectiveness framework for benchmarking the state of government relations in each market, a country prioritization system and a talent initiative.

Perhaps the most critical piece was the effectiveness framework. Porter identified activities that GR staff were engaged in and then created objective criteria to judge at what level these activities were being performed: novice, basic, advanced leader or expert. The framework allows the company to rate teams on their accomplishments while charting a course for improvement.

By surveying general managers and GR practitioners about their activities, Porter gained a huge repository of information that proved immediately useful in country. "In some of these countries, general managers have little interest in public affairs or knowledge about it. Seeing the effectiveness framework gave them a sense of what they needed to do," he says.

The effectiveness framework also proved invaluable from a strategic perspective, allowing Novo Nordisk to devise a country prioritization system.

By gauging where each country ranked in terms of GR effectiveness and then working with the line of business to plot the importance of each market to the company as a whole, decisions about where to focus resources became much better informed. For instance, the U.S. is a hugely important market with an excellent government affairs office, but a different key market — somewhere in Latin America, for example — might not be as effective from a GR standpoint. "The biggest markets with the fewest skills were the ones we wanted to focus on," Porter says.

Finally, the effectiveness framework spotlighted opportunities for improvement in GR skills, allowing the company to launch a talent initiative. The company responded by putting together a talent pool of global public affairs professionals. The company now has a far better idea where human resource needs exist globally and has even assembled a list of mobile individuals who could lead initiatives on short notice.

With better data on the company's various GR markets, ideas are being shared across national and continental borders. For instance, the Australian GR affiliate recently used a diabetes public relations campaign developed in Washington and adapted it quite successfully for its audience.

Although Porter knows the company has plans for further improvements, his advice to others is to keep expectations reasonable. "None of these are easy endeavors. You're talking about reaching busy people across lots of business lines and in many different cultures," he says. "It takes time, so be patient."

CONCLUSION
What the Future Will Bring

For many GR functions today, simply operating globally — sharing best practices and meeting with colleagues outside one's own country — remains a tantalizing goal.

Given the challenges of coordinating globally dispersed individuals, it's no wonder that so many of these departments continue to operate in an ad hoc fashion. However, for leaders who can envision a different way of communicating and running their functions, the advantages are clear. Whether it's forming a global network or meeting for an annual GR summit, those who excel within this function find that success begets more success, spurring them to greater experimentation and new accomplishments.

Interel's Fredrik Lofthagen envisions multinationals beginning to look at government relations in a more holistic way. For too long now, GR has been pigeonholed as a role that is exclusively devoted to making contacts with government officials and other policymakers. While this work is extremely important, even greater benefits can be seen when the GR function takes a more far-reaching perspective, seeking out ways to work with the CSR, marketing or media departments. By breaking down functional silos, government relations practitioners can begin to play a critical role in mapping future strategies at home and abroad.

For many global GR professionals, each new advance opens up endless new possibilities. Jeffrey Dafler, director of international government affairs at The Timken Co., points out that what began as a desire to build a global GR function in as lean a way as possible has blossomed into something new. "Our CEO and chairman now look at GR as a leadership development role," he says. "A huge part of the job of our CEO, James Griffith, is being an ambassador for the company."

For country managers, government relations does not have to be seen as a budgetary drain and an added nuisance. In-country leaders at Timken have begun to recognize that gaining exposure to government relations can help them climb the corporate ladder. "In a global economy," concludes Dafler, "if you can't navigate the public affairs environment, you're simply not going to be effective."

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