



Foundation for
Public Affairs

MEASURING AND COMMUNICATING THE VALUE OF PUBLIC AFFAIRS



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2121 K ST. N.W., SUITE 900, WASHINGTON, D.C. 20037

202.787.5900 | PAC.ORG/FOUNDATION

PRESIDENT: DOUG PINKHAM

EXECUTIVE DIRECTOR: SHEREE ANNE KELLY

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INTRODUCTION

As corporations have become larger and more complex over the past 30 years, so have their systems for measuring performance. Companies that once relied on simple financial, operations and sales metrics have turned their attention to a wider range of evaluation tools.

During the early 1990s, large companies began to embrace Six Sigma and ISO 9000 quality management systems to document steps taken to improve processes and reduce errors and variability. But over time Balanced Scorecard systems, which considered both financial and non-financial metrics, came into favor. Unlike preceding approaches, the Balanced Scorecard recognized that a company can have an enormous influence on multiple stakeholders — and that management ought to think more broadly about performance measurement.

In recent years, with the birth of Big Data, corporate performance management (CPM) has entered an even more sophisticated phase. Companies don't just set strategic goals and evaluate performance; they try to identify dozens of key performance indicators (KPIs) that are linked to future outcomes.

When executed well, a CPM system has many advantages, PriceWaterhouseCoopers wrote in a 2008 study called "Managing Business Performance: The Metrics That Matter." These benefits include clear agreement among company executives on what drives the business, improved agility, a more strategic compensation and reward process and the potential for continuous improvement.

How do corporate public affairs departments respond to senior management demands for sophisticated measuring? Some business functions — such as manufacturing, logistics and purchasing — are naturally data-driven, which makes them ideal candidates for performance evaluation systems. But public affairs doesn't fit neatly into many CPM programs.

Here's why:

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

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

This report uses research data, insights and case studies from leading companies to help executives measure and evaluate their public affairs performance.

UNDERSTANDING THE VALUE PROPOSITION

Whether one works for a large corporation, a small business, a nonprofit or a government agency, it's always a good idea to develop and promote a "value proposition" for each organizational function. These value propositions specifically define the roles of various departments in helping the organization achieve its business goals.

In fact, when a senior corporate executive asks a public affairs professional to create a new measurement system, in many cases what that executive is really asking for is a justification for continuing to staff and fund the public affairs function. That's because he or she is not convinced of the value of public affairs.

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

What are the components of a value proposition? Richard A. Ferraro, a director at Deloitte Consulting LLP, identified a list of "value drivers" in a 2000 report he wrote for the Public Affairs Council called *Considerations for Measuring Public Affairs' Value*:

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

As Ferraro noted, these five drivers don't rely on public affairs jargon; they use language that helps to establish the contributions public affairs makes to achieve tangible business results. An effective public affairs value proposition, then, should express the return a company receives on its investment in this function.

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

Caterpillar, a major American machinery and engine manufacturer, has a government affairs value proposition with three major pillars:

1. Working collaboratively with internal and external stakeholders in identifying public policy and commercial issues of critical importance to Caterpillar;
2. Building and utilizing Caterpillar’s brand image, political capital and presence as a premier U.S. manufacturing company to obtain favorable policy and commercial results; and
3. Maintaining disciplined cost control while retaining the company’s traditional value proposition.

Pfizer, a large pharmaceutical manufacturer, explains on its website how public policy engagement affects the firm’s ability to meet patient needs and provide shareholder value. “Essential aspects of our business are being challenged by barriers to access, counterfeits, illegal importation and challenges to intellectual property protection,” the company states. “For this reason, we actively participate in public policy dialogues to explain our perspectives.”

Another large firm simply states that its public affairs mission is “to proactively advocate and effectively advance business objectives in the public policy arena and with our internal and external constituencies.”

VALUE PROPOSITIONS CASE STUDY: MARS INC.

The areas of strategic focus for Mars’ public affairs team do not vary much from year to year:

- Provide insights and develop positions on critical issues and trends;
- Promote growth by removing barriers to scale; and
- Deliver world-class service to all business segments and regions.

According to Matthias Berninger, vice president of public affairs, a comprehensive dashboard, or “public affairs cockpit,” as Mars calls it, helps organize a multitude of metrics surrounding each of the key strategies (such as stakeholder engagement, advocacy priorities addressed, reputation and internal training).

In the last quarter of every calendar year, public affairs leadership worldwide examines whether the metrics bear out calling the year a success. Leadership also takes into account whether the activities of one of its regional teams or its public affairs function as a whole meet the company’s critical factors for success:

1. Alignment with business lines on public affairs priorities;
2. Global prioritization with local involvement/buy-in;
3. A focus on priorities and measures;
4. Measurement of desired outcomes rather than inputs; and
5. Getting internal communications right.

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

CREATING A MEASUREMENT SYSTEM

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

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

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

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

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

SAMPLE GOVERNMENT RELATIONS SURVEY FOR INTERNAL STAKEHOLDERS

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

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

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

If a company takes a management-by-objectives approach to performance measurement, then public affairs professionals would be wise to tie their public affairs strategies and goals to overall business objectives. Rather than have a stated goal to “ensure passage of the Transatlantic Trade and Investment Partnership (TTIP),” for instance, the objective should be to “ensure passage of TTIP to establish consistent product standards and open new markets for the company.”

Note that this sample objective focuses on the value to be delivered (outcome), rather than the public affairs department’s volume of work (input). Many companies still spend too much time counting their actions, rather than tracking the impact of those actions.

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

KPIs CASE STUDY: CH2M HILL INC.

In January 2014, as the engineering firm CH2M Hill Inc. entered a transitional period — a new CEO, company-wide restructuring — Theresa Loar, senior vice president, global corporate affairs, and her team re-examined the methods by which they measured and communicated their successes to non-public-affairs staff.

The team set out to align large enterprise objectives (growth, client service and risk management) with public affairs strategies: media relations, government affairs, internal communications, corporate social responsibility, crisis communications, and business development and delivery support. “Being able to put together an integrated offering in the international theaters outside the U.S. and how it fits against these large enterprise goals is really the best way for us to communicate it,” she says. In the process, the team sought to define specific, measurable key performance indicators, or KPIs, that help track progress toward strategic goals.

To better integrate Loar’s team into the risk management process, a goal-tactic-KPI matrix was developed. And by using that, Loar was able to explain the team’s efforts to manage risk, which created a compelling narrative for the firm’s contingent of engineers. “Risk management draws a lot of attention because when we face risks and we see that they haven’t been adequately addressed, the firm suffers,” she says.

In a recent mid-year performance report, the Global Corporate Affairs team demonstrated that it was ahead of schedule for meeting KPI targets, performing at 50 percent to goal or higher in all seven tactical areas. And the team was able to show that, despite corporate flux, it has continued to perform in alignment with corporate goals and “serves as a vital resource to protect and enhance CH2M Hill’s reputation to drive international business growth.”

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

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

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

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

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

ACTIVITY-BASED MANAGEMENT CASE STUDY: CUBIST PHARMACEUTICALS INC.

Mark Battaglini came to Cubist Pharmaceuticals Inc. after a career as a Navy lawyer and after working in state government affairs, sales, marketing and business development for other firms. Consequently, his orientation to business was generally "very bottom-line-centric" when he first became vice president, government affairs.

This led him to create a set of strategic and aspirational value propositions. In those propositions, Cubist government affairs explicitly states that it values feedback from internal and external stakeholders, which creates a sense of accountability within the company and encourages buy-in, advocacy and accomplishment.

In those value propositions, the government affairs team also aspires to "demonstrate business acumen in providing revenue protection and generation with outcomes that impact return on investment."

To determine the actual return on investment, Battaglini says he has "gone to my internal stakeholders — the project management team, the finance department — as well as to reputable outside analysts and economists to crunch the numbers for me on what the [specific] projects are for either protection or proactive return in some way."

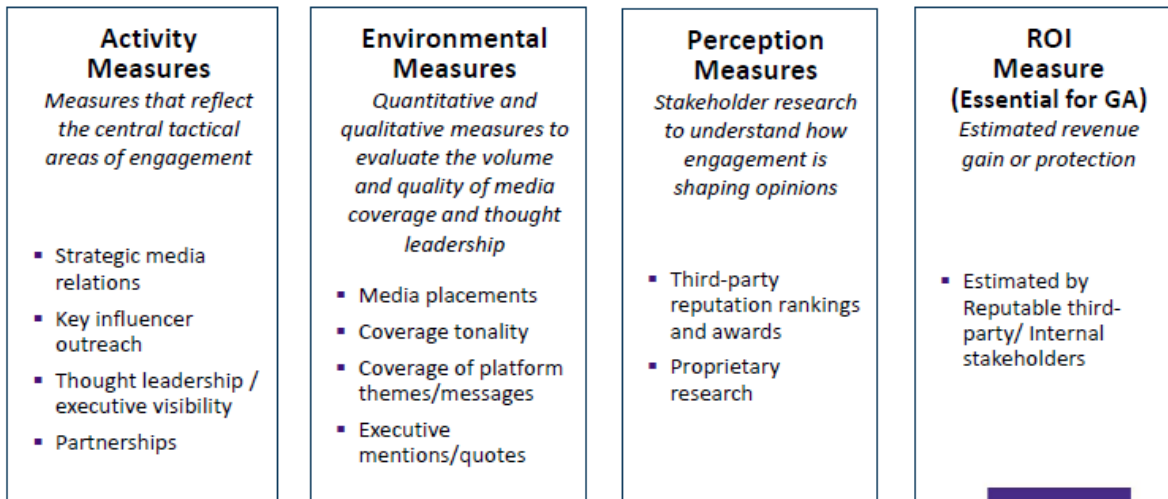
"Ninety percent of what you work on really needs to have some type of value proposition to it that's recognized by the executive team," Battaglini says. "But to sell any concept (both internally and externally), there has to be a benefit to the patient." As a result, he sees his role in this as a translator between government relations — sometimes seen as a "highly secretive, highly clandestine" function — and executives with strictly commercial backgrounds. "I try to demystify what we do," he says.

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

The ideal scenario is when a public affairs department can document actions taken with clear results that have directly affected business outcomes. Some examples of how to articulate this:

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

SAMPLE DASHBOARD FOR MEASURING SUCCESS:
CUBIST PHARMACEUTICALS INC.



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

For government relations staff, these milestones may include getting a bill introduced, helping to ensure that a congressional committee does not favor a negative bill or positioning the company as a leading expert on a policy issue. For staff focusing on corporate responsibility programs, an interim goal might be to create partnerships that support a

public service initiative or document changes in community attitudes that lay the groundwork for construction of a corporate facility.

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

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

According to the 2014-2015 *State of Corporate Public Affairs* survey, public affairs departments are increasingly developing ways to link their goals and accomplishments to business performance. Nearly 30 percent now use formal,

documented methods to measure performance and nearly 60 percent use informal methods. Another 9 percent are considering the implementation of a measurement program.

Most companies use more than one metric when making evaluations. The most common ones are “objectives achieved” (93%), “internal stakeholder satisfaction” (66%) and “legislative wins and losses” (65%). “Objectives achieved” was also ranked as the most important metric.

COMMUNICATING PERFORMANCE AND VALUE

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

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

GLOBAL MEASUREMENT CASE STUDY: IBM

As a large global corporation, IBM faces the challenge of tracking issues and strategies across many countries — and that requires the public affairs team to have a coordinated method for reporting its performance to management. In order to keep things simple, it has created a “traffic light” system.

All IBM employees set annual performance goals called Personal Business Commitments. But the governmental programs division goes further to set high expectations and measure accomplishment of objectives.

To ensure global alignment, the department develops an objectives “deck” in a matrix format, which can be regionalized and then broken out further country by country. Issue and regional staff leads also speak weekly via telephone, and an even more focused leadership team meets in person twice a year to discuss strategy. “Increasingly, public affairs strategy really does have to be a globally coordinated strategy,” says Liam Benham, vice president, governmental programs, Europe. If, for example, there is policy activity on data privacy in one country, he says, this activity will likely be repeated elsewhere and debate about the issue will reverberate globally.

At the end of the year, the team assesses itself and the status of its major issues. In compiling a brief summary of its key achievements and areas where it has fallen short, a modified “traffic light” system is employed.

- If an objective is fully achieved, it is shown as blue.
- If one is partially achieved, it is shown as green.
- If an objective is not achieved, it is shown as red.
- If one is ongoing, it is shown as yellow.

This summary is then communicated to the upper echelons of IBM, all the way to the always-busy CEO.

Usually, Benham says, the summary shows a good mix of colors, but he cautions, “If everything is blue, you probably haven’t set robust enough objectives at the beginning of the year; you’re not stretching enough.”

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

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

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

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

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

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

CONCLUSION

In many ways, developing a corporate performance management system creates both significant challenges and opportunities. Suffice to say, it can be extremely difficult to reach agreement on value propositions and metrics that are relevant to the company as well as the practice of public affairs.

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

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



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