



External Affairs capabilities

Survey findings

November 2016

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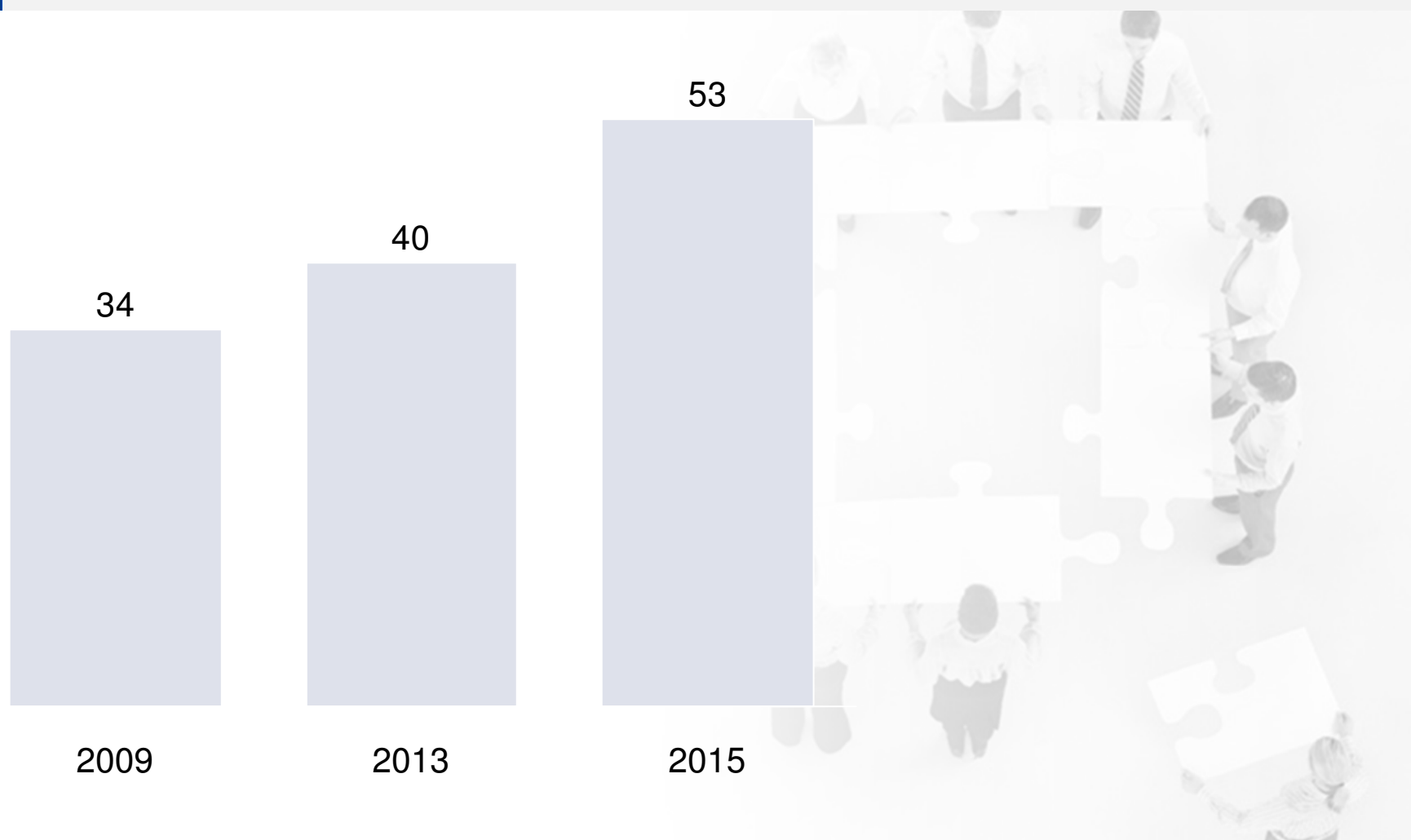
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Managing external affairs is now a top priority for 53% of CEOs

Percent of respondents who answer “one of the top 3 priorities”



Where does management of external affairs rank on your CEO's agenda?



SOURCE: 2015 McKinsey Quarterly survey of 1,334 executives, 2013 McKinsey Quarterly survey of 2,186 executives, 2009 McKinsey Quarterly survey of 1,167 executives

Managing external affairs is now a top priority for 43% of boards and even more so in some industries like energy or financial sector

Percent of respondents who answer “one of the top 3 priorities”

■ 2013 ■ 2015



Where does management of external affairs rank on your board's agenda?

Overall



High tech/Telecom (n=131)



Energy (n=72)



Financial (n=189)















SOURCE: 2015 McKinsey Quarterly survey of 1,334 executives, 2013 McKinsey Quarterly survey of 2,186 executives
number of respondents per industry noted for 2015

Government and Regulators are expected to have most impact on company's economic value after customers



Which of the following stakeholders do you expect will have the greatest effect on your company's economic value in the next 3-5 years?

	2009	2013	2015
01	Customers 	Customers 	Customers 
02	Government 	Employees 	Government 
03	Employees 	Government 	Regulators 
04	Investors 	Regulators 	Employees 

SOURCE: 2015 McKinsey Quarterly survey of 1,334 executives, 2013 McKinsey Quarterly survey of 2,186 executives, 2009 McKinsey Quarterly survey of 1,167 executives

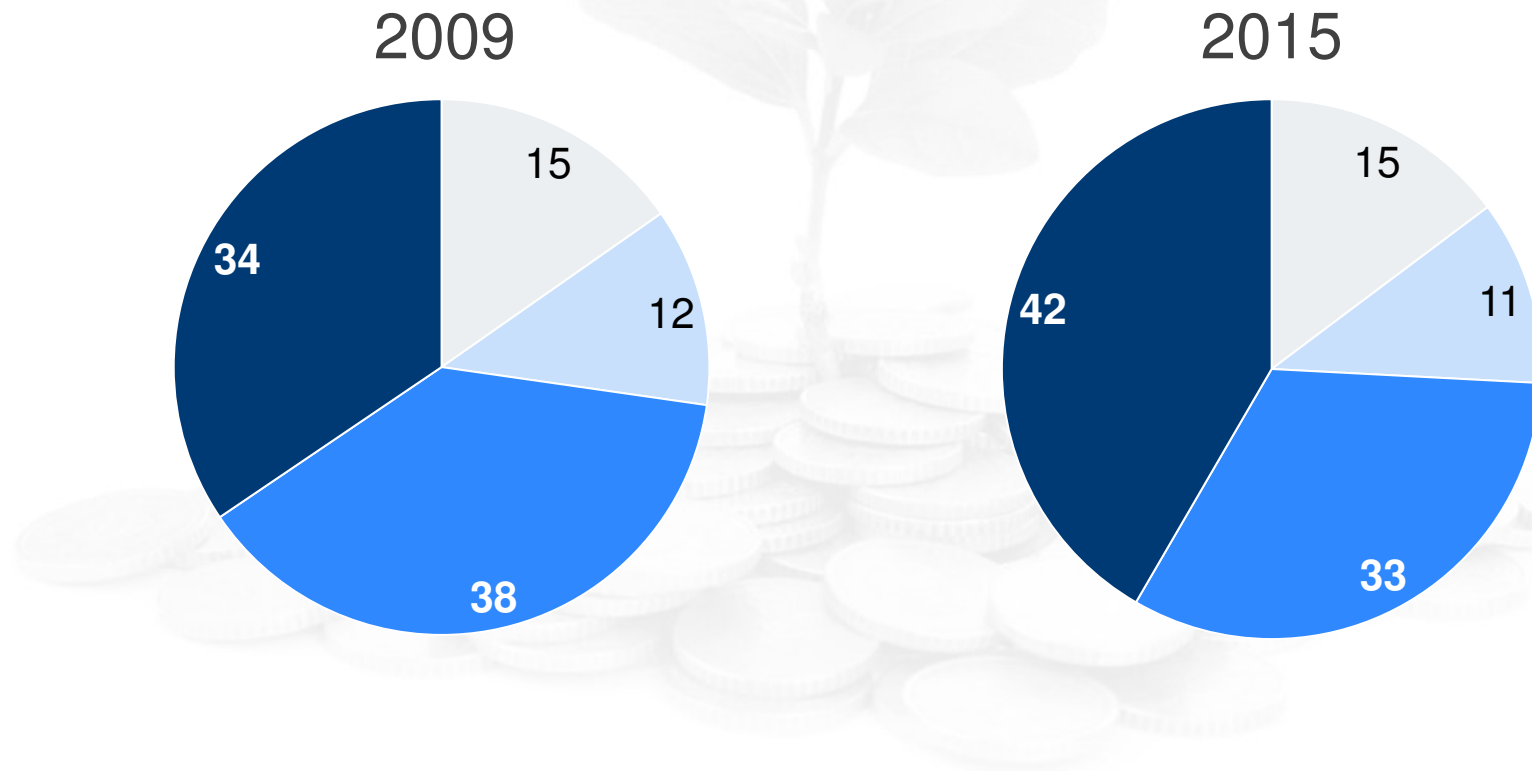
Companies are pessimistic about the impact on operating income from greater government and regulators involvement

Percent of respondents

■ No effect ■ Don't know ■ Increase ■ Decrease



What impact do you believe external-affairs issues are likeliest to have on your company's operating income in the next 3 - 5 years?



SOURCE: 2015 McKinsey Quarterly survey of 1,334 executives, 2009 McKinsey Quarterly survey of 1,167 executives

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Asia and developing markets most optimistic about likely impact of external affairs on operating income

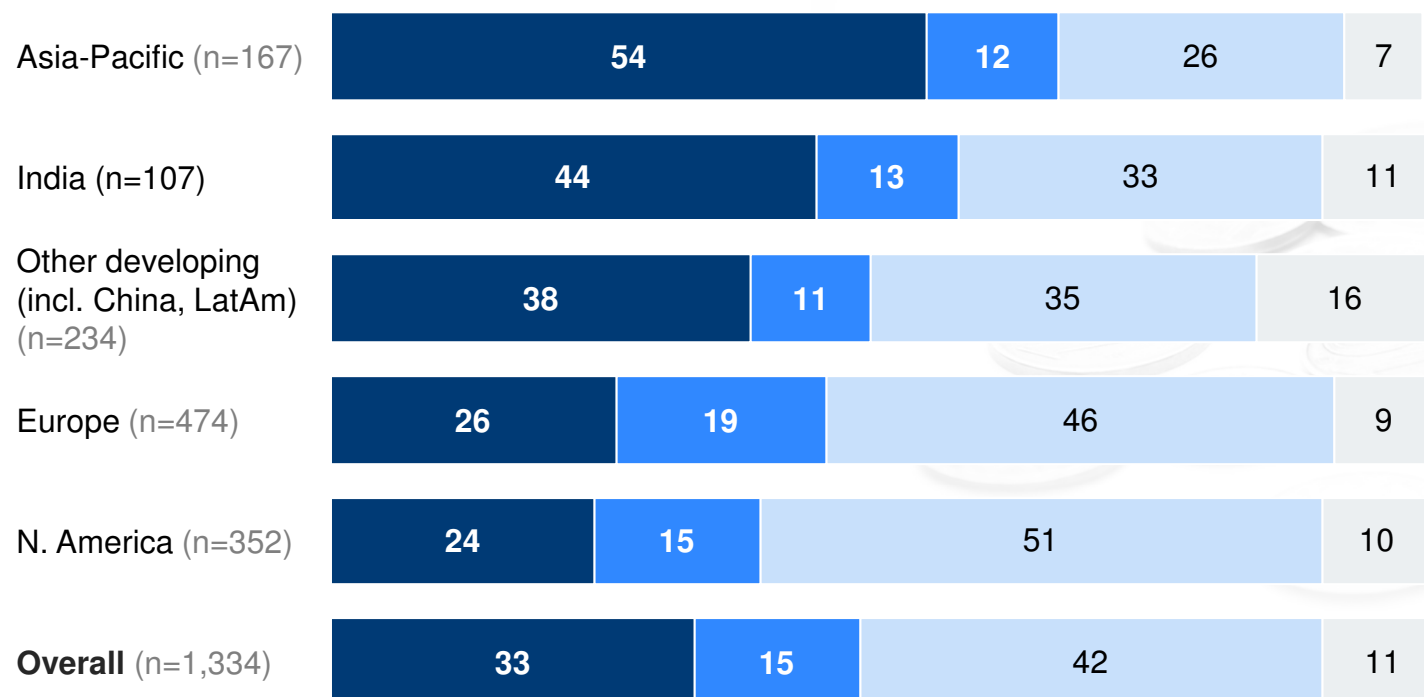
Percent of respondents

■ Increase in op income ■ Decrease in op income
■ No effect on op income ■ DK/NA



What impact do you believe external-affairs issues¹ are likeliest to have on your company's operating income in the next 3 - 5 years?

CEO's agenda



Less than a quarter of executives report having a successful track record at shaping government decisions and its reputation

Percent of respondents, n=1,334



To what extent is your company successful at shaping government policy and/or regulatory decisions?

To what extent is your company successful at managing its corporate reputation among civil-society groups?

Frequently

11

22

Sometimes

41

42

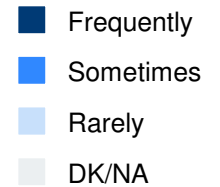
Rarely

33

21

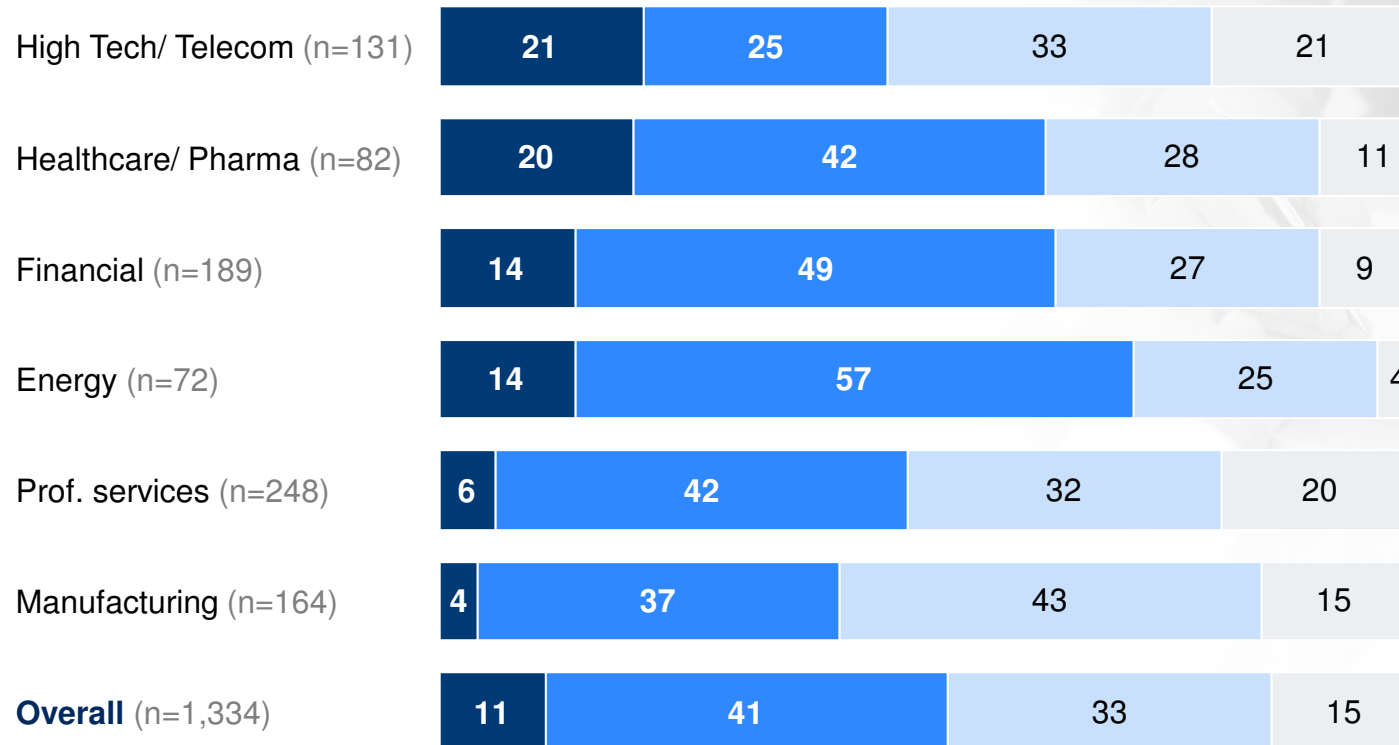
Despite wide differences across sectors less than a quarter of executives report success

Percent of respondents, n=1,334



To what extent is your company successful at shaping government policy and/or regulatory decisions that could affect your business environment, in order to mitigate risk or create value?

CEO's agenda



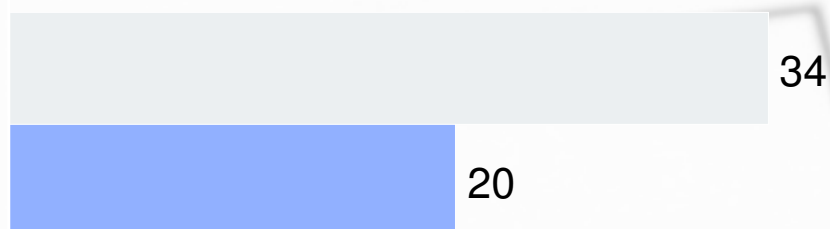
There is an opportunity for Boards and CEO to get more involved in External Engagement

Percent of respondents who say “very effective”, n=1,334

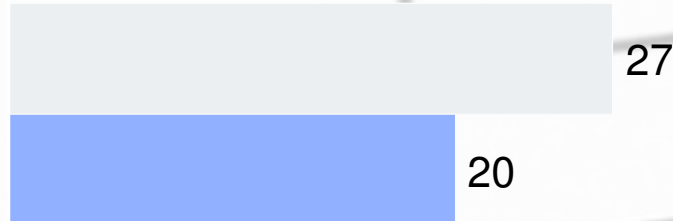


How effective, if at all, is your CEO/Board at each of the following stakeholder-management actions?

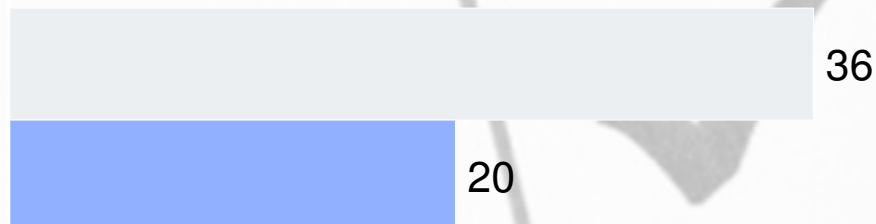
Setting the company's overall stakeholder enggt framework



Balancing the interests of relevant external stakeholders in board decision making

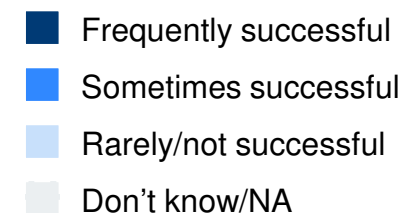


Engaging in regular interactions with the most relevant external stakeholders



Companies that have an active approach to engaging stakeholders are significantly more successful at achieving their preferred outcome

Percentage of respondents, n = 1,334



Which of the following strategies best describes your company's approach to engaging with government entities and regulators on external-affairs issues in the past 12 months?

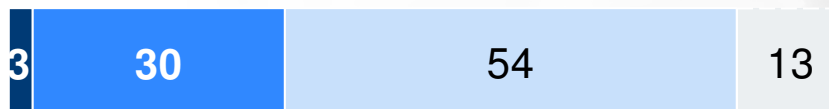
Very active (n=362)



Somewhat active (n=497)



Somewhat passive (n=288)



Very passive (n=107)



Companies that engage directly or hire professional lobbyists are more frequently successful at achieving their preferred outcome

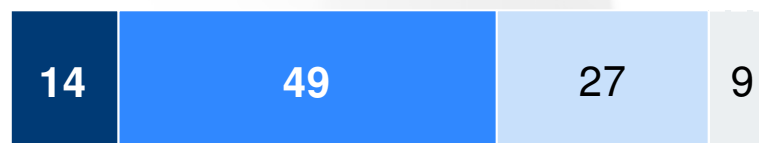
Percentage of respondents, n = 1,287



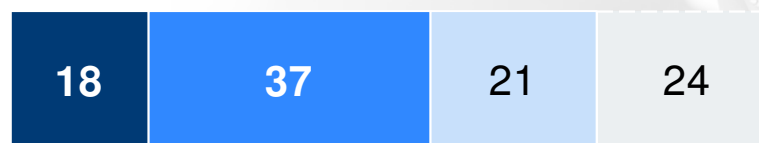
Which of the following statements best reflects how, in the past 12 months, your company has engaged most of the time with government entities and regulators on external-affairs issues?

■ Frequently successful ■ Sometimes successful ■ Rarely/not successful ■ Don't know/NA

Direct engagement
(n=708 or 55%)



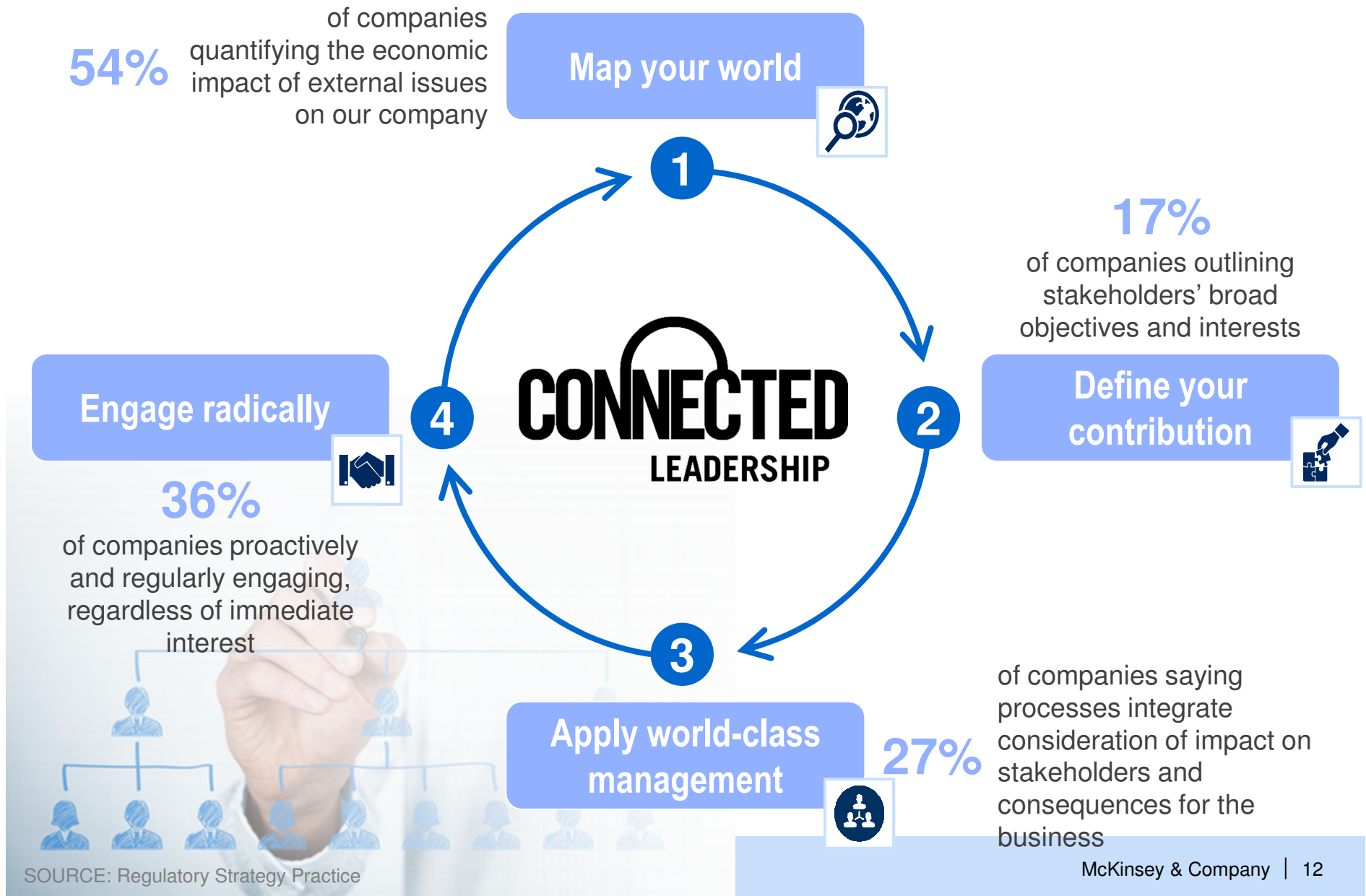
Hire professional lobbyists
(n=77 or 6%)



Through industry association
(n=360 or 28%)



The four tenets of connected leadership

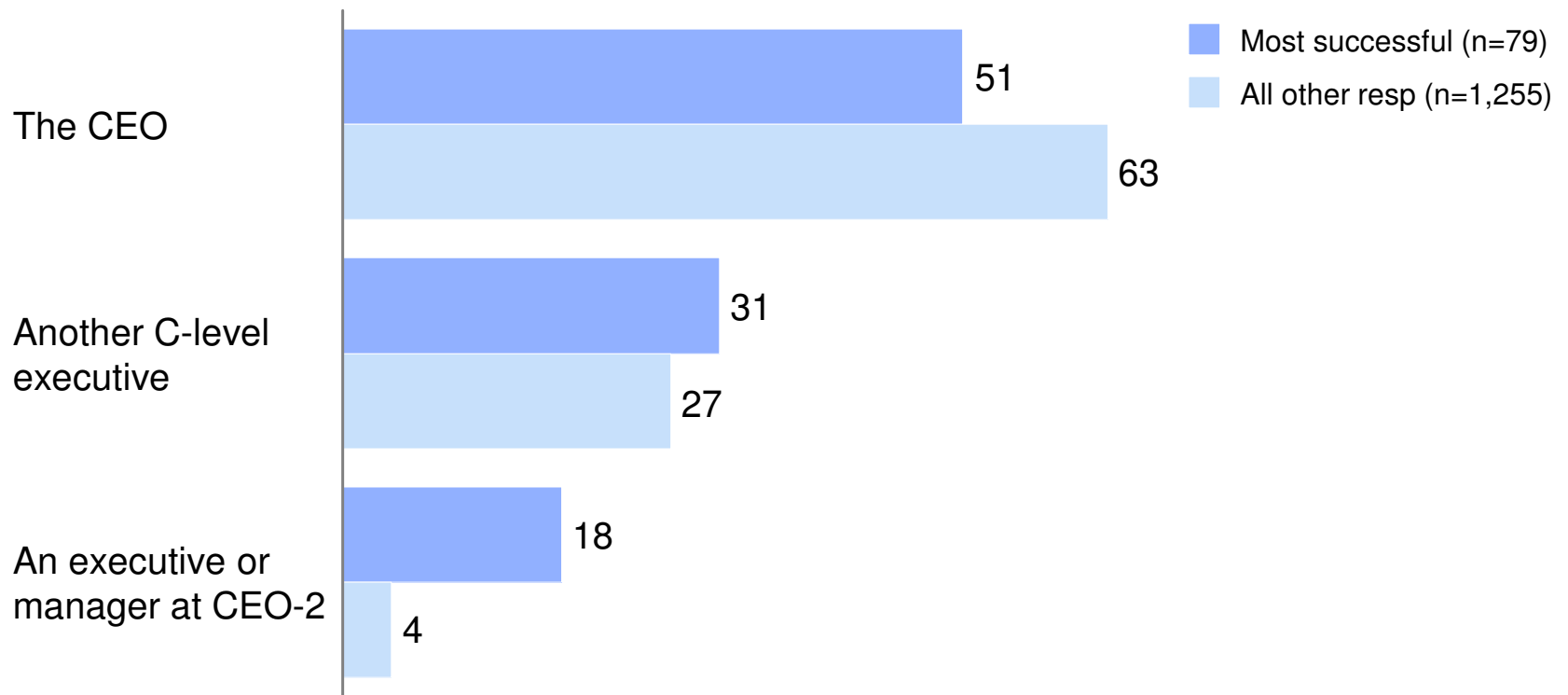


In over half of cases the External Affairs function reports to the CEO though reporting alone does not seem a precondition for success

Percent of respondents, n=1,334



At the highest level, to whom does your external-affairs group report?

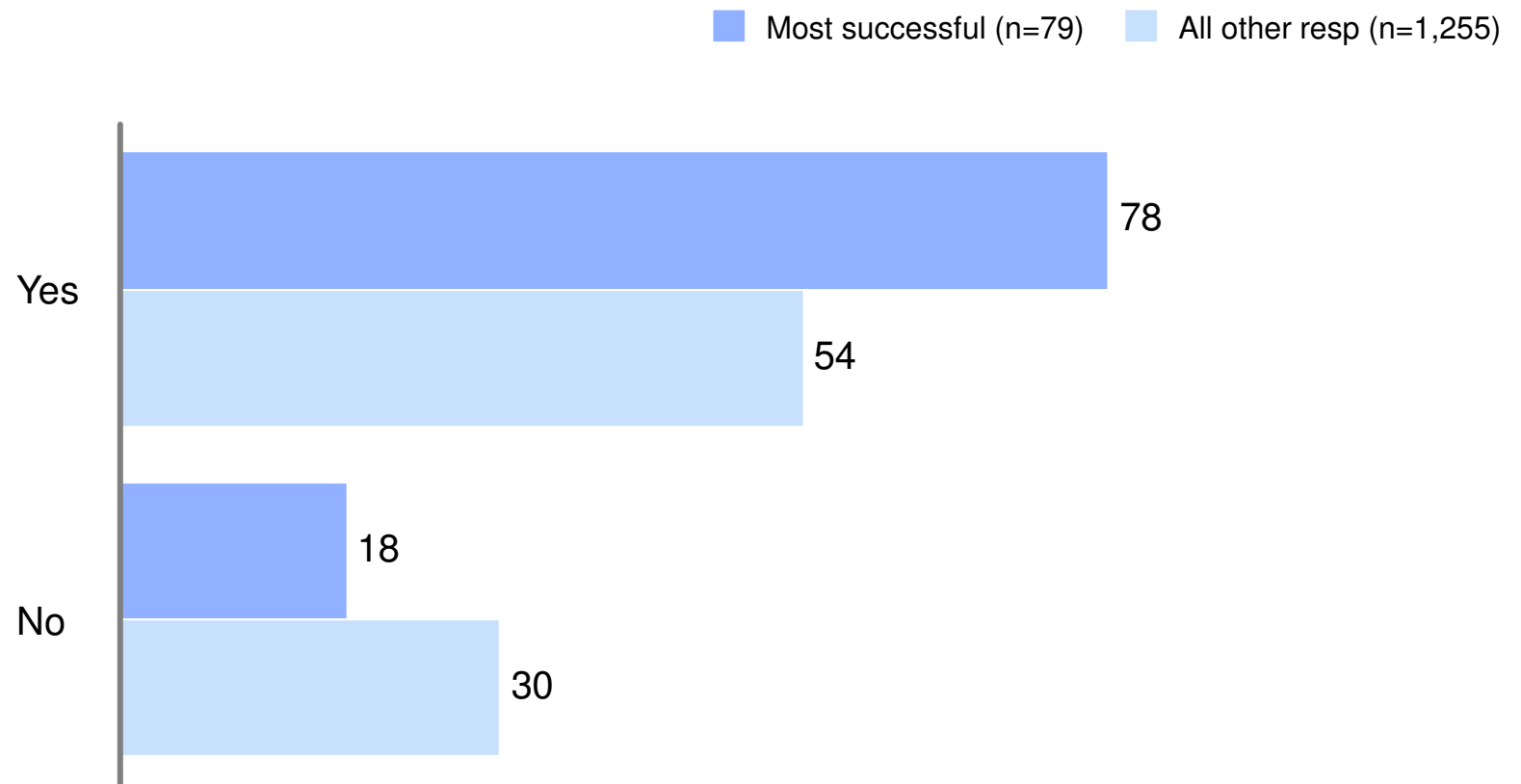


Most successful companies have integrated communications and external affairs functions

Percent of respondents, n=1,334



Is your company's communications function part of your external-affairs function?

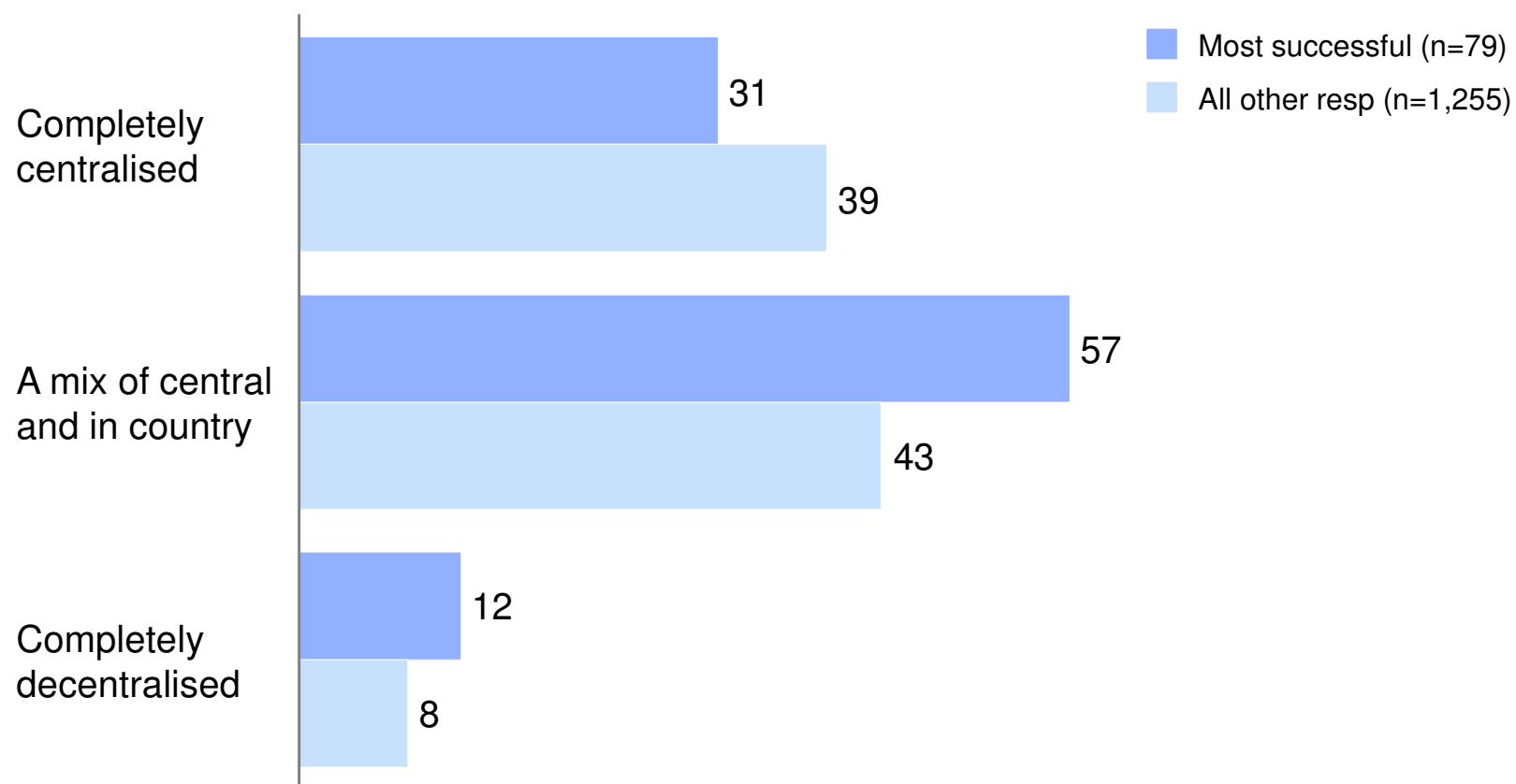


In most cases the external function is present both in HQ and in country

Percent of respondents, n=1,334



Which of the following phrases best describes the structure of your external-affairs function?



The HQ function's role is mainly alignment with the corporate strategy – though in most successful companies it goes beyond

Percent of respondents, n=1,334

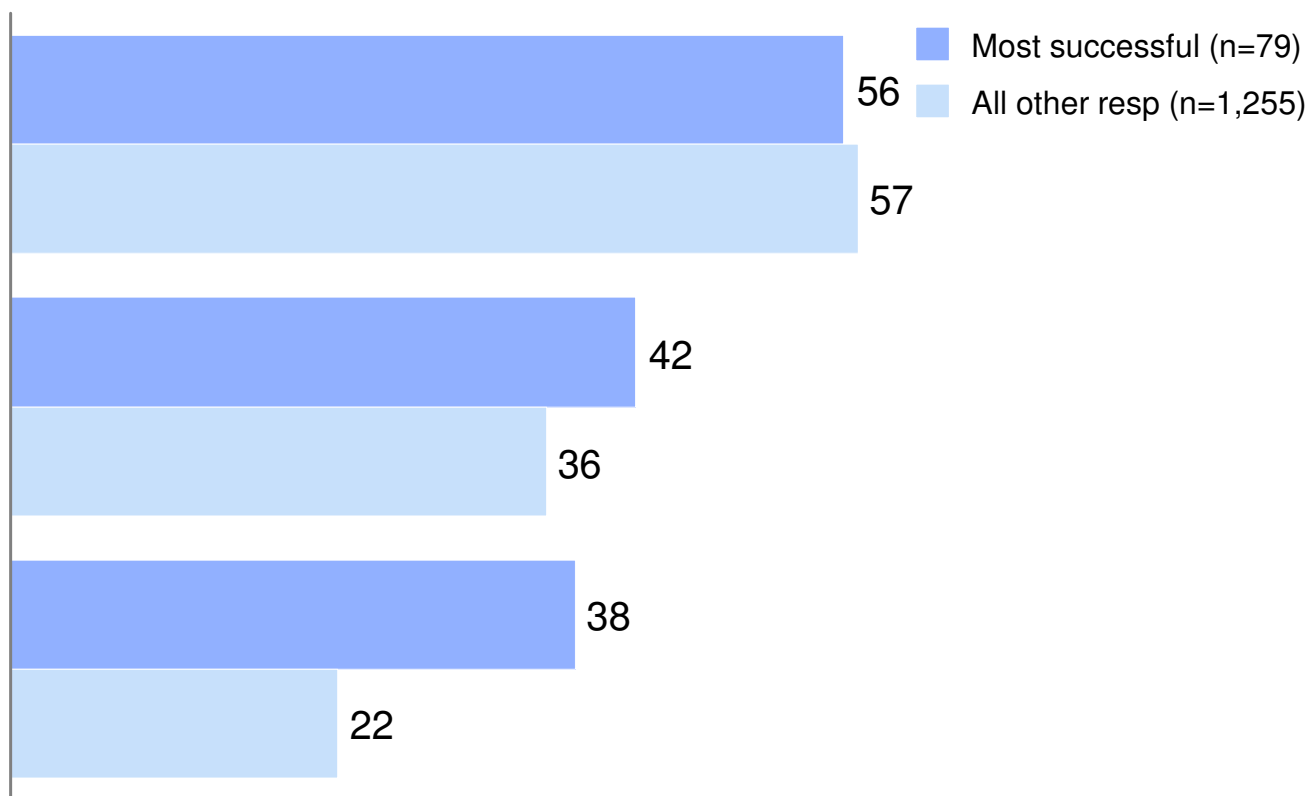


Which of the following roles, if any, does the central external-affairs function play within your company?

Aligning external affairs activities with overall corporate strategy

Engaging global stakeholders

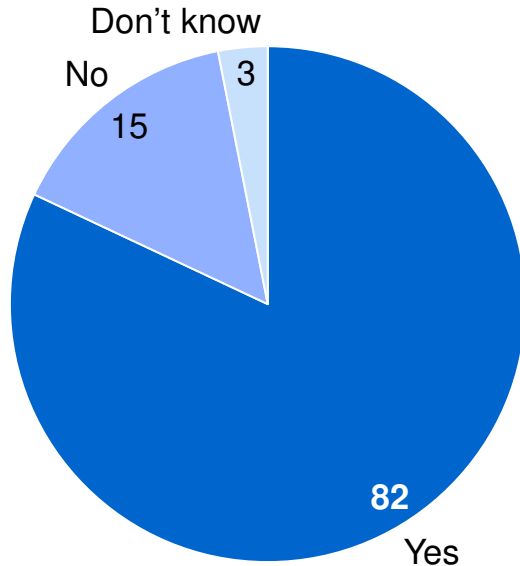
Enabling the sharing of best practices between country-level functions



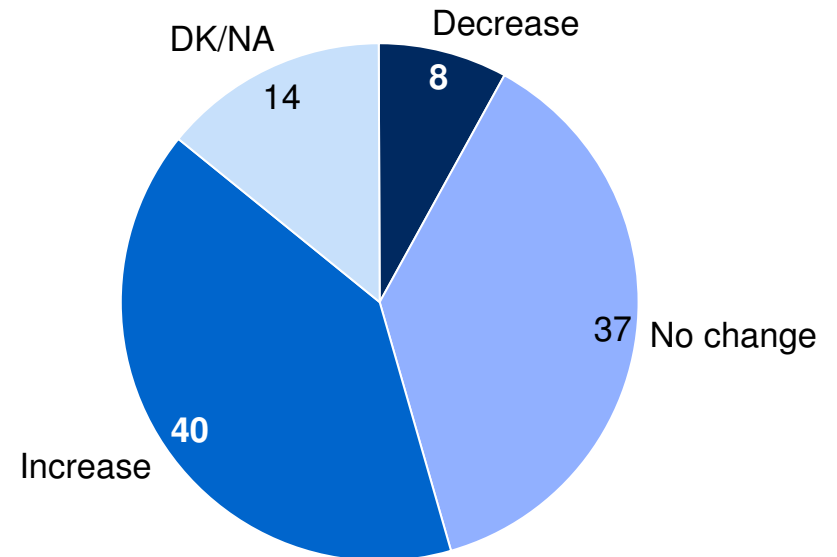
Most companies are now using digital tools for stakeholder engagement and are planning to invest even more



Has your company used digital tools (e.g., blogs, social media, newsletters, stakeholder-mapping tools) in the past 12 months?



Over the next 12 months, how do you think the share of your external-affairs budget that is spent on digital activities will change, if at all?

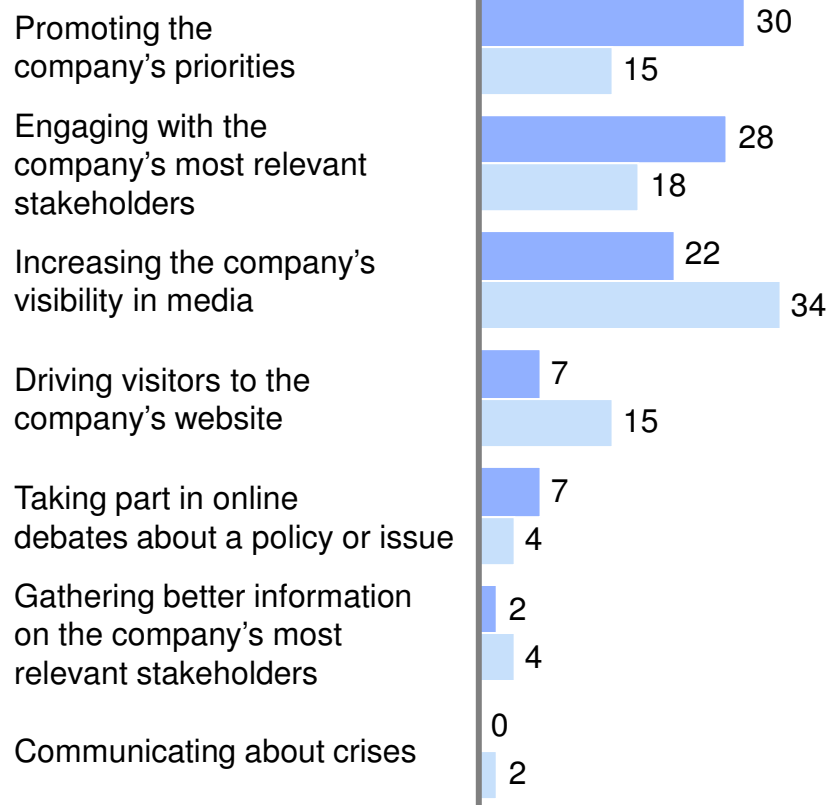


Most successful companies use digital tools not only to increase visibility but also to engage and track engagement activities though there is still room to exploit more such tools

■ Most successful (n=79) ■ All other resp (n=1,255)



What was the primary goal of your company's digital-tool use in the past 12 months?



Which of the following metrics, if any, does your company use to measure the success of its digital-tool use?

