IM Across Geographic Borders

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What the Best Globally Integrated PA Teams Do...

- Public affairs goals support business goals
- Regularly communicate priorities/ accomplishments to all internal stakeholders
- Establish a consistent issues management system
- Engage other departments in public affairs planning/activities
- Showcase what successes mean to the business <u>and</u> what risk avoidance has meant to the company



What Does McKinsey Say?

Three organizational principles leading companies apply to decrease problems, increase value

> McKinsey Quarterly: Organizing the governmentaffairs function for impact, 2013



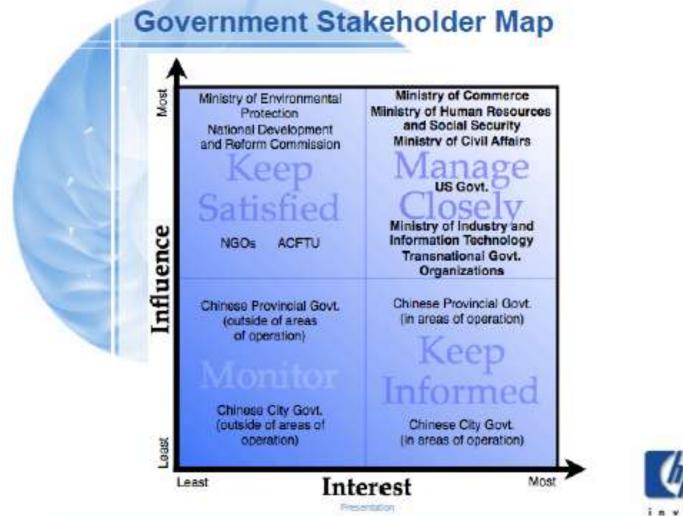
What Does McKinsey Say?

1.) Clarify Scope and Structure

- Top companies excel at economic analysis and stakeholder engagement
- Tasks like identifying issues early and gathering compelling international benchmarks anticipate broader range of outcomes
- Understand and map stakeholders



Ex. HP Stakeholder Mapping, China





What Does McKinsey Say?

2.) Orchestrate Activities Across the Business

- Stay connected to business; never get isolated
- Proactive issue identification and early engagement
- Function = "broker of intelligence"
- Ex. Host ongoing roundtables to help colleagues in other functions understand/ address/respond to regulatory issues



What Does McKinsey Say?

3.) Build Talent and Accountability

- Leaders coordinate effectively across business units, getting – and keeping – respect and attention of senior management
- Cross-pollinate talent with rotation programs moving staff between PA/business units
- Clear metrics



External affairs is a rising priority for both CEOs and boards. Exhibit 1 % of respondents¹ Where external affairs falls on leaders' agendas² Board-of-directors agenda **CEO** agenda Top 3 priority Top priority

¹Respondents who answered "top 10 priority," "not a top priority," "not on the agenda," or "don't know" are not shown. ²In 2011, n = 1,396; in 2012, n = 3,525; in 2013, n = 2,186; and in 2015, n = 1,334. In the 2009 survey, these questions were not asked.

McKinsey, How to reinvent the external-affairs function, 2016



Issues Management

Value of Issues Management

- Understand and monitor emerging issues
- Avoid crisis and reputational damage
- Tackle legislative or regulatory issues before they impact business
- Issues do move geographically
- Provide demonstrable ROI to the rest of the organization



An effective issues management system is the easiest and most effective way to showcase public affairs ROI to your organization.



Issues Management

1. Follow a process

- Identify and analyze issues
- Prioritize
- Execute
- Evaluate
- 2. Use an open architecture
 - Build a model permitting input and evaluation by others. An issue life cycle is dynamic, so be flexible.
- 3. Get leadership commitment
 - It's more important than process and design.



#1: Issue Identification & Analysis

- Internet
- Contract lobbyists and vendors
- Internal stakeholders and business units
- Associations and coalitions
- Media monitoring
- Social media monitoring
- Consideration of key trends
- Discussions with third parties





Issue Analysis

- How does this issue <u>affect</u> us?
- Who has management <u>responsibility</u>?
- What is the level/intensity of <u>media interest</u>?
- What are the <u>legislative/reg/legal</u> implications?
- What do we know about <u>public opinion</u>?
- Who are our key <u>adversaries</u>?
- What are our <u>competitors</u> saying and doing?
- What have we said and done in the <u>past</u>?
- Has this transpired in <u>other geographic markets</u>?



Issue Analysis & Tracking

Issue/Topic	Objective	Estimated Savings	Outlook	Involvement	Status
	Definition(s) of Success	Financial impact – earnings &/or savings	Chance of success; any mitigating circumstances; likelihood of opponents' success	Who: issue owner; GR staff; associations; coalitions; patient advocacy group, etc.	Milestones, progress reports, final outcome
Issue 1					
Issue 2					
Issue 3					
Issue 4					



Government Relations Issue Tier Evaluation

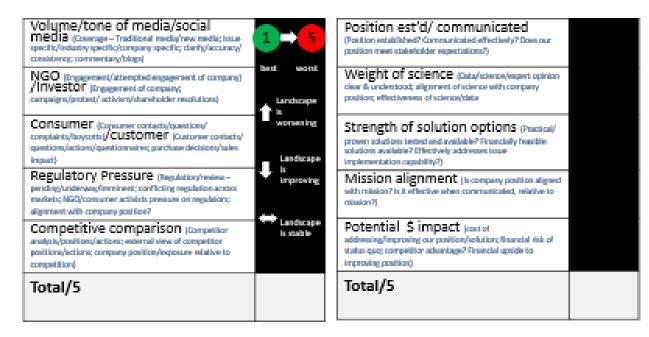
Issue Rating Criteria	Description	Score ¹	Comments/Explanation
Critical Priority Alignment	Does the issue support profitable growth,		
	productivity and/or the corporate vision		
	and portfolio strategy?		
Financial Repercussions	Does the issue have the potential to		
	significantly increase or decrease our		
	existing capital?		
Banner Impact	Would issue resolution have a significant		
	impact on one or more corporate banners?		
Policy Issue Viability	Does the issue have a high level of viability		
	in the governing body of consideration?		
Resource Availability	Can the issue be addressed with existing		
-	resources, as defined in terms of associate		
	availability, time and cost?		
Issue Influence	Would our engagement on the issue		
	provide meaningful support?		
	Score Total:		



Ex. Issue Assessment

"Strength of company position"

"Public Sensitivity"





Example India – IM Tracking

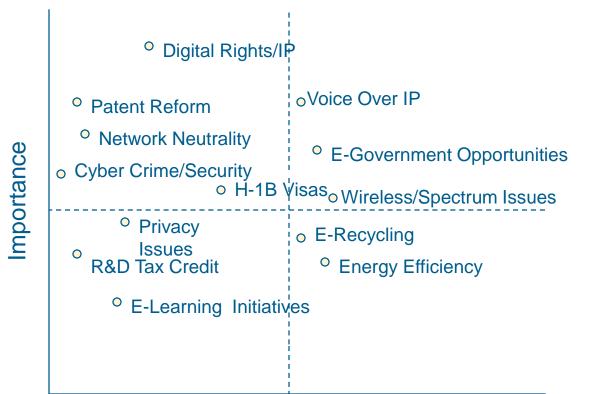
<u>Issue</u>	Resources	Business Impact	Targeted Actions/ Needs assessment
Taxes Direct Taxes (PE related issue) Disparity between stated policy on arm length taxation and actual application 	External USIBC, Amcham, Nasscom Internal Comms team Global policy Leverage site leaders for local relationships	Potentially high with CMG global income liable for taxation	Issue has been addressed repeatedly via trade lobbies (Nasscom, USIBC, etc). Continue engaging via trade association to lobby on this various issue given its complexity Need stronger voice: contract lobbyist
Labor Laws Principal employer liability on statutory compliance. Principal employer is liable for non compliance 	External USIBC, Nasscom, CII, FICCI Internal • Legal • Country general manager • HR • Leverage site leaders for local relationships	Liabilities can be high if imposed. Issue is not confined to industry sector alone but spans across all verticals. Sensitive issue as it relates to labor, needs to be handled locally by center.	Engage in direct dialogue and though trade associations.



Step #2: Prioritize

URGENE

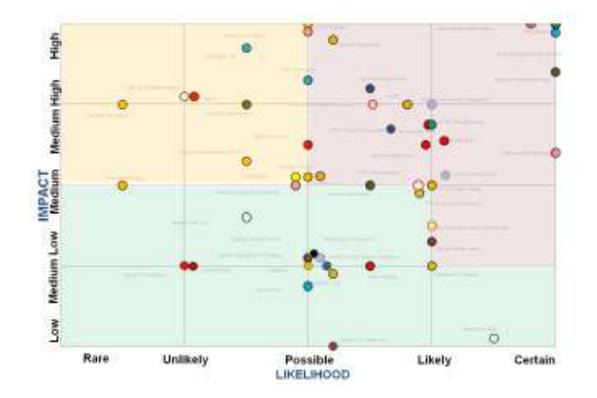
Ex. Telecommunications Company



Affectability



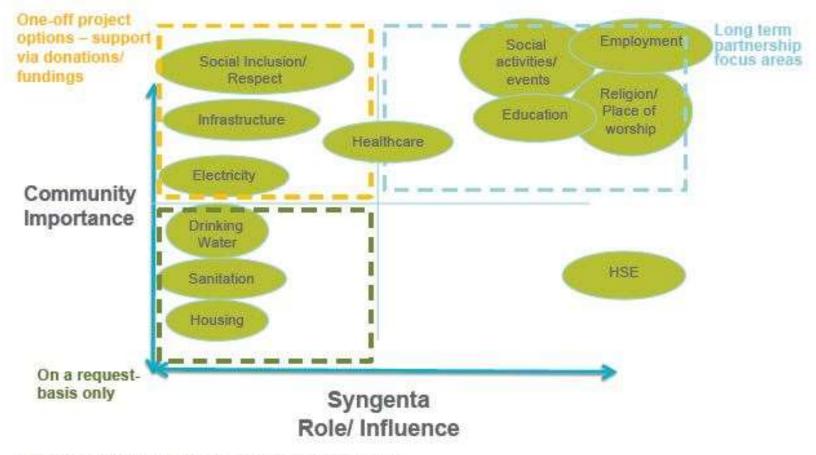
Ex. Manufacturing Co.





Community Issue Prioritization

Example: Identification of Pasuruan community priorities*



*based on internal understanding from site employees

Ex. Coca-Cola EU

CSR and other EU initiatives on "health taxes" EU restrictions on caffeine Advertising restrictions for "sweet" beverages Health-related New or increased product VAT system taxes in Member States Advertising restrictions Disruptive/unfair EPR schemes Restrictions on use for HFSS foods competition EU ban of BPA of plastics packaging No or delayed Discriminatory nutrient profiles for claims Allulose approval Discriminatory nutrition labelling schemes Plain packaging for "unhealthy" products Increased collection and recycling targets Misleading nano Mandatory Trade & labelling provisions **BPA** labelling EU scheme for Ban of advertising deposit systems to children >12y **Restrictive** novel **Restrictive** health Business impact Refillable quotas 🌜 foods regulation plan packages EU definition National restrictions of "children" >12y on catteine EU initiatives on Restrictions on Protectionism against Taxation corporate taxes sugar imports bottled water National restrictions **Restrictive** data Restrictive sugar Market management on BPA protection rules Mandatory trading provisions (UTP) EU initiatives on "product Mandatory provisions quality" (sugar vs. HFS) on packaging sizes Mandatory environ-EU definition of Introduction of new mental labelling Health-related criteria Carbon pricing portion sizes PET trade remedies for public procurement Introduction of Mandatory water efficiency provisions Introduction of new ecolabel on food sweetener trade remedies Mandatory criteria for Mandatory CO, emission reduction targets green public procurement Disruptive country of Mandatory energy Restrictive Eco-Mandatory recyclability origin labelling provisions Design for coolers efficiency provisions Mandatory country-bycountry financial reporting EU ban of advertising Mandatory provisions for lobbying activities to children ≤12y Likelihood to materialize Classified - Internal use

Public policy risk matrix & lobby focus

Coca Cola Europe "Radar Screen of EU Public Policies" (Monthly Issue Update: February & March 2016)

Step #3: Execute

- <u>Contain</u>: Minimize its spread
- <u>Embrace</u>: Join the cause
- <u>Broaden</u>: Give it some context
- <u>Surround</u>: Bury it in good news
- <u>Monitor</u>: Watch, but don't take action
- <u>Engage</u>: Challenge opponents and involve all resources



Execution Begins with Communication

- Is system in place to alert key internal stakeholders when issue is emerging?
- Track issues, share content & allow for two-way info sharing
 - Intranet site
 - Shared document
 - Sharepoint
 - CRM



Ex. IM Intranet Site





Critical for Success

- Cross-functional teams
 - Issue experts, comms experts, PA/GR experts, business experts & <u>geographic/cultural</u> <u>context</u>
- Engage from issue identification step
- Regularly connect on progress
 - Regular calls/video conference
- Clearly identify issue owners, managers and manage expectations

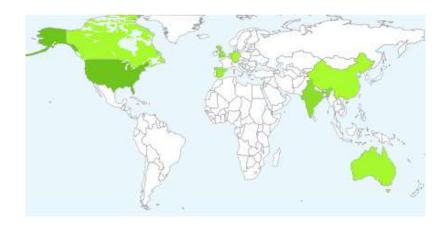


Cross-Functional IM Teams

Build a strong interdependent cross-functional team Provide Insights Develop Solutions Public plan for the Future **Creates** Cohesion **Drives** Awareness Affairs Supply Develop Positions Chain RTEC Snacks External Legal Marketing Comms **Defend** Positions **Develop** Strategies

Track for Geographic Patterns Over Time

- Level of regulation market-to-market
- Priority issues, color-coded by key stakeholder engagement
- Issues by coverage or tonality
- Issues by industry success





Step #4: Evaluate

- Get internal and external stakeholder feedback
- Look for areas of improvement
- Share learnings across the team
- Adjust the plan for next time



Assess IM Process

- Was issue **identification** effective?
- Was prioritization process accurate?
 If you have 50 priority issues, you have none
- Was issue analysis accurate?
 Impact, public opinion, adversaries, allies
- Did you **engage** the right internal contacts?
- Were issues managed effectively & efficiently? Timely?
- Was a **historical record** created on issue(s)?
- Use information gathered to improve process



What to Measure

- Goal achievement
- Change in stakeholder perception of issue
- Reputational impact
- Media tonality
- Confinement of issue (scale, scope)
- Cost avoidance (impact to bottom line)
- Impact on jobs
- Business opportunity, market advantage, freedom to operate
- Stakeholder satisfaction



Internal IM Stakeholder Satisfaction Survey

	Exceeds Expectation	Meets Expectation	Did Not Meet Expectation	Feedback
How would you rate content of our issue comms?				
How responsive were we to your business needs?				
How would you rate your level of engagement on our key issues?				





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