

THE BUSINESS VALUE OF AN EFFECTIVE GOVERNMENT RELATIONS PROGRAM & A PRODUCTIVE WASHINGTON OFFICE

William N. LaForge *

January 13, 1999

This monograph provides an analysis of the basic and bottom-line value that an effective government relations program and a productive Washington corporate office can provide for business in dealing with the ever-increasing challenges of public policy representation and advocacy in the nation's capital.

The analysis addresses three basic topics essential to sound government relations programming and Washington representation:

- 1) the importance of business' on-going engagement with public policy and political institutions;
- 2) the typical models used by business to represent its interests in public policy arenas: and,
- 3) the special significance and value of having a visible and effective company presence or office in Washington.

INTRODUCTION: WHAT IS GOVERNMENT RELATIONS?

Government relations is the process of engaging primarily with the legislative and executive branches of government to achieve public policy goals. While government relations occurs at the federal, state and local levels of government, federal government relations is the focus of this paper.

The undertaking of a government relations program includes the functions of monitoring legislation and public policy debates; analyzing factual policy and political situations; lobbying policy makers to support or oppose a certain policy position; education and advocacy of the public and decision makers alike; and representation of a company's or group's targeted interests.

Government relations involves understanding and monitoring the legislative, administrative and political processes of government on myriad issues affecting a company, as well as the ability to research, evaluate, plan, communicate and implement strategies to advance public policy goals and influence government decision makers to act a certain way.

In more specific terms, the government relations function encompasses tracking legislation, analyzing hearings records and legislative proposals, drafting bills and reports, researching and writing policy and position papers, providing insight to key lawmakers and their staffs, and providing advocacy for moving legislation through the Congressional committee process.

Effective government relations includes providing access to key players in government decision making roles in order to communicate your position and influence a-decision-in your

favor. It means providing technical assistance in research and drafting, as well as advocacy and issue management with executive branch rulemaking and regulatory processes.

Typical strategies and tactics utilized to achieve public policy goals include:

- grassroots campaigns that energize and use connected, invested publics (such as employees, customers, suppliers, targeted state or Congressional district citizens to communicate a message and advocate a position;
- direct lobbying - communications with Members of Congress and staff in an effort to persuade them to vote a certain way, and to encourage them to sponsor, support or oppose certain legislative measures;
- education and persuasion through use of the media, written materials, and the spoken word;
- testimony before committees of Congress and administrative agencies;
- coalition building to involve like-minded groups, such as industry colleagues;
- political action, in which candidates for public office and their campaigns are supported financially, and through which political relationships are exploited;
- and, advisory panels and commissions to ensure that issues are on the radar screen of policy makers.

These and other strategies can be considered as arrows in a quiver to be selected based on an analysis of the facts and issues in any given public policy debate, and to be employed based on the political landscape and the policy objectives or desired results of the company.

In a nutshell, government relations is all about helping to solve or prevent a problem, or obtain some desired public policy result, through government channels. Effective government relations programming requires a keen knowledge of the legislative and regulatory institutions and processes of government, as well as a thorough understanding of the issue at hand and its various stakeholders. And, it requires an effective and credible presence in Washington.

THE IMPORTANCE OF BUSINESS' ON-GOING ENGAGEMENT WITH PUBLIC POLICY AND POLITICAL INSTITUTIONS

Why should business support and be involved with government relations programming generally, and with specific public policy issue advocacy?

The answers are fundamental and simple – because that involvement and advocacy matter to the company – because the company is a major stakeholder in numerous issues decided by government – because the company owes itself, its investors and its customers effective representation and advocacy with respect to issues of importance – and, because if the company is not engaged in the process of helping to fashion sound public policy, then the results may be

contrary to the company's best interests. Most importantly, effective business-government relations is vital in today's heavily regulated business environment because its results directly affect the company's bottom line.

In that business environment of today, where governmental decisions affect so much of what a company does, successful executives and managers are those who also understand and engage in government relations on behalf of their enterprise. Business schools are training MBA candidates that to be successful modern managers of a product or a service also means being able to manage public policy issues for the company. An understanding and knowledge of government and its players and processes are critical as are the means to achieve desired results. For a company not to be involved with government relations in this day and time, especially given fiduciary, stewardship and bottom line responsibilities, borders on irresponsible.

The case for engagement in government relations, then, is clear and simple. If a company chooses not to involve itself in an effort to influence the process, then someone else most likely will – probably a competitor – and the resulting public policy decisions may not be favorable, and may be costly to boot.

MODELS OF GOVERNMENT REPRESENTATION USED BY BUSINESS TO REPRESENT ITS INTEREST IN PUBLIC POLICY CIRCLES

How does business represent itself in Washington?

- through in-house corporate representatives, who are internal corporate personnel assigned the government relations portfolio in a Washington office;
- through trade associations or special interest group representation;
- through individual or private lobbyists, who usually hang out a shingle in law, lobbying, public relations, or government relations firms – or who call themselves consultants;
- or, in many cases, through some variation or combination of these three models of representation.

Many companies and organizations use all three models of representation. This combination is quite prevalent among companies that need or desire to achieve a high level of visibility, credibility and activity in Washington. To provide maximum coverage of issues important to a company, this approach is quite often the best. All three models have their strengths and weaknesses, and consequently, a combination takes advantage of the strengths and minimizes the weaknesses.

The following is a closer look at each form of representation:

1) A corporate government relations office in Washington sends the signal to government decision makers that public policy issues are important to a company. It provides the company with direct, hands-on, and discreet representation and advocacy, with both a broad

understanding of the company and the company's best interests always in mind. The presence of the company in Washington, its ready access to all institutions of government, and the ability of the corporate representatives to monitor and address specific issues all serve the company well. On the down-side, limited resources can keep the size of such an operation modest, and the number and magnitude of public policy issues can be so extensive, that all deserving issues may not get the necessary attention. A Washington office is supported financially by the company or its business components, usually as a core corporate function.

2) Trade associations provide their members with any number of services, which can include government relations programing and representation. These associations are formalized coalitions of like-minded industries or companies who desire to monitor certain public policy issues and provide advocacy before governmental entities on behalf of their membership. Trade associations develop expertise in certain fields, and are valuable to business as resources, advocates, and voices in Washington circles. They provide coordination, continuity and cross-industry consistency in the advancement of public policy issues. On the down-side, associations generally take up the mantle for issues that percolate up as issues common to most of its membership. Associations are usually not well-equipped to represent specific company issues, especially if the company's position differs even slightly from the association's adopted policy line. Their bottom line is serving its membership, not a single company. And, generally speaking, those companies who are the largest members control the agenda and priorities of the association. Trade association membership dues, usually based on company size or revenue, are paid by member companies to support the association's activities.

3) Private lobbyists or independent government relations professionals/consultants provide a company with specialized expertise, knowledge and access that might not be available through a corporate office or trade association relationship. These individuals or firms can be utilized as extra "hands on deck" as necessary, and can be brought in to focus on targeted issues. They provide a company with an outside, but targeted and discreet mode of representation and advocacy, including strategic planning and direct lobbying. These lobbyists are usually government relations experts who have spent part of their careers in federal service in either the legislative or executive branch of government. On the down-side, outside lobbyists may lack the general overview and in-depth understanding of the company and its needs, since they are engaged with other clients as well. Outside government relations counsel is supported financially by the company or its Washington office, usually through a retainer, hourly rate, or project-based fee arrangement.

In summary, some companies have a Washington office period. Others try to get along with one or more trade association relationships. Still others depend exclusively on outside government relations representation to handle their Washington affairs. Some companies rely heavily on one model, and lightly on the others. The use of any variation or combination should certainly reflect the needs of a particular company. A combination of all three certainly provides a company with the best of all worlds when it comes to Washington representation. Most companies with a sizeable stake in government decision making utilize all three to their advantage, although cost to the company is always an important consideration.

THE SIGNIFICANCE AND VALUE OF AN EFFECTIVE COMPANY PRESENCE AND OFFICE IN WASHINGTON

There is no substitute for an effective corporate government relations office in the nation's capital. It is the first line of offense and defense for business in the public policy arena. Having a corporate government relations presence and office in Washington speaks volumes about the importance a company places on public policy issues and their impact on its business. A physical presence is preferable in almost all cases to facilitate quick access to government institutions and processes, as well as to business and public policy information. With corporate staff located in Washington or a nearby business center, a company can remain better connected to the flow of information and activity in public policy circles. The Washington office is the company's communication center and government relations manager in the public policy capital of the world.

A Washington office provides a physical plant and a base of operations for monitoring functions, meetings, research, and staying in tune with business and government issues. It provides easy access to the institutions of government such as the Congress and the various agencies which promulgate the regulations that directly affect a company. Effective government relations is foundational in nature, and a Washington office secures and builds upon that foundation by developing relationships with key policy makers and by building bridges to vital governmental institutions. Leaving that process to chance, or having to start afresh with a new effort just to address a topical issue of the day, are risky ventures at best.

The Washington corporate staff is in a position to serve as the company's hands-on issue manager for any issue that arises. The corporate personnel who staff the office provide the continuity, contacts and knowledge base to represent the company in important quarters of government, and they are well-positioned to provide the company with valuable legislative and regulatory services and counsel that go directly to the company's bottom line.

The basic and bottom-line value of a Washington corporate office is often misunderstood or underestimated. In a traditional accounting sense, no Washington government relations office is a revenue center. In fact, just the opposite is true - it is usually a "cost" center for a company. However, value comes in many forms. Most companies experience value—bottom line value—with their Washington office because government decisions can better be influenced in the company's favor if the company manages that issue close to the scene of the decision. Quite often, a company's best interests have been served when its Washington operation prevents bad policy from becoming law or regulation, when the company is saved from an exorbitant tax or trade surcharge, or when an onerous regulation is remedied. Timely information about legislation and regulatory matters from a Washington office leads to better executive and board room decisions by a company, and, thus, to more productive and profitable business outcomes. Conversely, a company without a Washington office lacks all the immediate and long-term benefits and value, and runs the risk of being late to, or missing all together, the key public policy battles that can mean the life or death of the company.

There is measurable value provided through a Washington office, as well as more intrinsic value attached to a company's stature, prestige and reputation. Valuable relationships with Members of Congress, committee staff and federal agency officials are developed and

nurtured over a period of time. Marketing opportunities are enhanced. Companies derive media and public relations benefits and value from the activities of their Washington operations.

The Washington office of a company is in the best position not only to manage a public policy issue, but to manage other government relations program components as well, including trade association activity and outside consultants. In the world of advocacy in Washington, an issue manager must be able to assemble the best team possible to maximize the chance for success on any given issue. This means having the authority and flexibility to commit internal company resources through the Washington office and staff, to engage trade association involvement when necessary, and to deputize independent lobbyists to enhance external capabilities and to assist with a specific need. Timing is often the key in public policy battles and a company's on-the-scene issue manager is positioned well to act expeditiously and marshal the necessary resources.

A company's Washington office head is the company's representative in Washington, and, as such, is in the important position of being not only an advocate and a spokesperson for the company, but also a resource for those in government circles who need information about the company. That individual is also in the best position to make decisions and give advice about PAC contributions to political candidates who can be helpful to the company through their Congressional committee assignments and their support of positions and issues important to the company.

CONCLUSION

In conclusion, government relations generally, and Washington representation through a corporate office specifically, are vital to the public policy and business health of a company. While any company is primarily engaged in the production of its various goods and services, it should have in place a reliable and credible Washington presence that can help ensure that the negative impact of "non-market" activities and government regulation on the company are minimized. Through the "eyes and ears," and the representation and advocacy of a Washington office, a company is in the position to advance its best interests pro-actively and reactively in all quarters of government.

** Mr. LaForge is a member of the Washington D.C. law firm of McGuiness, Norris & Williams, and he specializes in federal government relations. He represent businesses with public policy interests before the Congress and executive branch agencies. He is an adjunct professor at Georgetown University and George Washington University where he teaches courses in business-government relations. He served as a senior Congressional staff member in the U.S. Senate and the U.S. House of Representatives for twelve years, and as director of Congressional relations for a federal agency for two years.*