

October 2009

# Critical Impact: Global Trends and Developments Shaping Public Affairs Strategy and Practice

Brad Staples

**APCO**  
worldwide®



## **CONTENTS**

<b>I. INTRODUCTION.....</b>	<b>3</b>
<b>II. PUTTING THE ‘PUBLIC’ BACK IN PUBLIC AFFAIRS .....</b>	<b>4</b>
<b>III. PUTTING PROOF AT THE CENTRE OF PUBLIC AFFAIRS.....</b>	<b>5</b>
<b>IV. REFLECTING THE RISE OF THE G20 IN GLOBAL PUBLIC AFFAIRS.....</b>	<b>7</b>
<b>V. STRENGTHENING GOVERNANCE AND ETHICS IN PUBLIC AFFAIRS .....</b>	<b>8</b>
<b>VI. CONCLUSION .....</b>	<b>9</b>

## I. INTRODUCTION

We are living and operating in a “reset” world, a world that’s been “reset” by a trio of global crises:

- The financial crisis and worldwide recession, which overturned all easy assumptions about continuous growth, and in which government coordination, massive government guarantees and spending were critical interventions that averted near-total collapse not just in markets for complex financial products, but also markets for everyday goods and services.
- The global ecological crisis, of which climate change is the most comprehensive manifestation, and which is already causing major shifts in some of the most basic patterns of human activity, including food production.
- The collapse of trust in business, to levels not seen in several decades. In almost all major markets, global business – not only banking – is held in lower esteem than other sectors of society that have also experienced scandal recently, including the media, organised religion and politics. In many countries, the public is both anxious and angry, particularly about “who will pay” to clean up the mess.

It seems to me that business in almost every sector is considering its “reset” strategy for the first two drivers – recession strategy, environmental strategy – and figuring that by doing that, trust will return over time.

Personally, I’m not so sure. While sustainable, long-term stewardship of resources – financial, people, environmental – is certainly at the heart of the problem and the solution, it is not inevitable that public trust will automatically follow from action on those two fronts. Rather, I think it will also require a strategic “reset” in public affairs strategies and practices as part of core business strategy.

This is what I’d like to address this afternoon: the need to redefine the role and relevance of public affairs in a changed world, and what some of the key elements are in a “reset” approach to public affairs. There are four main themes I’d like to touch on:

1. Putting the “public” back in public affairs
2. Putting proof at the centre of public affairs
3. Reflecting the rise of the G20 in global public affairs
4. And strengthening governance and ethics in public affairs

In the interest of time, I am not going to focus on the impact of social media, other than to say that stakeholder empowerment through social networks is redefining corporate public affairs practices, in the way it is shaping all aspects of communications. The connectivity to stakeholders and the two-way dialogue social networks demand accentuates the importance of understanding and adapting to these four key themes.

## **II. PUTTING THE 'PUBLIC' BACK IN PUBLIC AFFAIRS**

A traditional practice model has regulatory compliance, as well as regulatory and reputation risk management, at its centre, with government as the primary agent and audience.

Even as other stakeholders have emerged, multiplied and globalised in the past decade or more – NGOs, non-traditional media, socially responsible investors, etc. – they tend to be seen in terms of how they ultimately influence government policy in addition to how they affect the achievement of direct government-business relationships and goals.

Over time, additional mechanisms and programs for dialogue and collaboration with non-government stakeholders have certainly emerged – community affairs, corporate citizenship and CSR, NGO partnerships. But these have all tended to be additional layers of activity, distinct from the core business of regulatory affairs, and indeed have tended to be viewed as providing a rationale and proof-points against further regulation.

One result of this approach – which has been adopted by governments and NGOs, as much as by business – is that the public feels even more disconnected and disenfranchised from public policy-making and public affairs. They are disconnected, not just from elections and parliaments, which is a long-run trend, but also from everyday policy debate and decisions, which are increasingly the domain of organised “stakeholder representatives” speaking for the general public but not necessarily consulting them much.

This model is, in effect, a “trust us” model. And it is quite likely that the collapse in public trust is partly a backlash against this model for public affairs and public policy-making, as well as a reaction to the more obvious targets of public anger – the financial crisis and the size of publicly funded bail-outs, the impact of rapid private sector cost-cutting on jobs and small suppliers, the retention of big bonuses and pensions by the few, etc.

So part of the challenge ahead, in doing business in a “reset” world, lies in building a new model for public affairs engagement. I suggest that, instead of “trust us,” a reset model needs to be inverted, with what the public wants at the centre.

And what the public wants – from governments, businesses, NGOs, media alike, all those with power and influence over their future – is more of a “prove it” model.

I think there are a range of things which the public wants business to prove: that the era of excessive risk and excessive short-term rewards that caused the latest crisis in market capitalism is over. That it won't return through stealth or lobbying against better regulation or threats to relocate. That business doesn't see workers, or regulation, or taxes, simply as "costs." That business will play a constructive role in public policy based on a long-term view of the intersection of business and societal interests. And that positive rhetoric on corporate responsibility is backed by action and proof.

Now, this being the 21st century, a "proof" model is about more than providing "proof-points." It's about dialogue, discussion, being challenged, learning from it, and being pushed to improve and innovate. It's about "participatory proof."

Obviously, many businesses, in a lot of sectors, are used to this, and very good at it, in the product development area or in the land-use planning space, for example. Some have consciously developed it further, as an innovation-generating mechanism. And some have taken the step into co-creation, or "crowd sourcing," involving the public directly in product development or process improvement. From Apple to Nokia, Nike to P&G, this has become established "innovation pioneer" practice in product development. In the field of sustainability, too, retail leaders such as Marks & Spencer in the UK, and Wal-Mart in the United States, have adapted customer research tools to not only understand what their customers and employees care about, but also to tap their ideas on how to change business methods.

In my view, the logical step is to bring such techniques further into the public affairs space. This is in part about adapting market-testing techniques for consumer engagement to public policy issues – those issues in which people think of themselves not simply as consumers, but as concerned citizens. It isn't only about using polling, focus groups, and stakeholder forums, though – it's about co-creating shared policy positions.

To some extent, this has begun to occur through business-NGO dialogue on some issues. And I'm not suggesting that the onus of greater public involvement lies only with business: it's important for some large NGOs to also reconnect more deeply with public opinion and ideas. But I do think it's a model that the public affairs industry needs to reflect on and get on board with, including on some of the toughest issues where positions may presently be quite far apart.

### **III. PUTTING PROOF AT THE CENTRE OF PUBLIC AFFAIRS**

As I've mentioned, I see the post-crisis "reset" world as one in which proof of business intentions and actions is crucial to restore trust for the long-term. A few thoughts on what this means in practice.

First, regarding regulatory affairs and “lobbying”:

The global financial crisis has obviously called into question some basic assumptions about markets and how they work, especially under stress, and the role of regulation in promoting short-term reward for some at the expense of longer-term value for many – or vice-versa. This questioning is happening at the highest levels of government, banks and other companies, business schools and universities, and the media business. It is not anti-business and it does not automatically presage a new wave of business regulation beyond the banking sector.

What it does presage is much higher expectations of empirical evidence in policy and regulatory advocacy. There will be higher standards of proof for arguments about the costs and benefits of regulation. There will be greater scrutiny of data and sources, and an interest in independent verification of those. There will be more scepticism about arguments that haven't changed, and a preference for those that have incorporated the changed dynamic.

Second, more broadly, business communication about sustainable development will need to become more factual and data-driven.

With the benefit of hindsight, many respected commentators are re-characterising the past decade as “the unsustainable decade” –

- a. because of the unsustainable levels of lending, borrowing and consumption that were a root cause of the global financial crisis; and
- b. because between 2000 and 2007, global CO2 emissions grew four times more quickly than in the previous decade.

At the same time, the past decade has seen a constant increase in communication and PR about how business has embraced CSR and sustainability.

So this is also an area where scepticism and mistrust have arisen.

In the next few years I think we'll see a revolution on this front, from a combination of regulatory “push” and customer/citizen “pull.” We'll move from annually printed CSR reports to quarterly data posts as part of corporate performance reporting, and from generic sustainability advertising to product-specific labels and indexes posted on the Web.

It has been suggested that one outcome of the global downturn will be a transition from consumerism to a far greater conservation focus. In a world that has to get used to making resources go further, these issues – resource stewardship and long-term accountability, product innovation and social value – will only increase in importance in local and global public affairs.

#### **IV. REFLECTING THE RISE OF THE G20 IN GLOBAL PUBLIC AFFAIRS**

Public affairs obviously has to be practiced where decisions are made – and until relatively recently, in the area of economic regulation, that largely meant nationally, transatlantically and, occasionally, at the WTO in Geneva.

Much of the traditional infrastructure for public affairs, particularly the location and resourcing of industry associations and policy think-tanks, reflects this still.

Clearly, the national level of engagement continues to be vital – especially in countries where government has now become a direct investor or lender, as well as being a customer and a regulator.

However, the international level of economic governance has been transformed – by the emergence of the G20 as a global economic regulatory coordinator, and by the economic policy “resets” that will be built into the next global deal on climate change.

In addition, global growth patterns have shifted fundamentally with at least a decade of slow growth, likely in developed markets compared to leading emerging markets, and the need to create more sustainable and locally-captured growth in countries that provide much of the world’s raw materials.

Here’s an interesting thought: in a recent article on the “reset world,” Forbes magazine noted that a decade ago, multinationals talked about their global business strategy in terms of the United States, Europe, East Asia and “the rest of the world.” Now, said this Forbes article, multinationals are having to think in terms of strategy for emerging markets, the Middle East and Africa, and “the rest of the world” – with the latter including the United States and Europe.

This is not to deny the ongoing importance of the United States and the EU, either as the world’s most important continental markets or as major policy-making centres. But it is about recognising the emergence of very different long-term regional growth rate outlooks and, correspondingly, rates of change in policy and public expectations about managing the impact of growth and change.

The global financial crisis made it crystal clear that global, rather than regional or transatlantic, policy coordination is necessary. So have the interim results of that coordination, via the G20, in preventing a complete free-fall in global credit markets, global trade and consumer confidence.

And it’s already clear from the two G20 summits this year that this group has now assumed the preeminent role at the intergovernmental level in economic policy coordination, as well as having a key role in discussing – and funding – climate change adaptation.

At Davos, earlier this year, Stephen Green, the Chairman of HSBC, called for the setting up of a “Business 20” – or B20 – forum comprised of the world’s largest multinational companies, including those from developing countries, to advise the G20 – not to lobby them, but to “help inform policy and create a more stable global economy, and be the voice of sustainable business.”

I think this is an idea that will be acted on sooner rather than later. But I also wonder, how many trade associations, big companies or indeed global consulting firms have started thinking about how to organise their public affairs strategy and activity on “B20” lines? My intuition is, not many. Yet the G20 represents a fundamental shift in global public policy coordination.

Another striking development in global business policy collaboration is last month’s announcement, at the UN global forum on climate change, of the International Air Transport Association membership’s collective pledge on CO2 emissions reductions, carbon neutral growth, and creation of a global emissions trading market.

Now, there has been criticism from some NGOs – in particular about the 50-percent reduction target by 2050 being based only on 2005 levels. Even so, it is a major step, one that was not easy to achieve and that required strategic leadership at the highest levels of the industry.

I predict that we will see a lot more of such global, CEO-led business initiatives, not only on CO2, but also on other pressing issues in which a global regulatory framework that spurs innovation and a coordinated approach to adaptation would be more beneficial than a patchwork of widely different national regulations – both for the industry’s own interests and the wider public interest.

## **V. STRENGTHENING GOVERNANCE AND ETHICS IN PUBLIC AFFAIRS**

Underpinning any “reset” model for corporate public affairs is the need to meet increasing public expectations for greater transparency about the dialogue with regulators – in a nutshell, who is being lobbied and about what.

The push for regulatory transparency predates the current crisis and gains more currency from it. Transparency is central to the rule of law and the movement of ideas, goods, services and capital across borders. It is also central to sustainable resource use, and to good public policy.... It’s central to modern, globalised business, in other words.

Now, in the wake of the global financial crisis and the indispensable, multi-trillion dollar role of public funds in averting another Great Depression, regulators and the public clearly expect more transparency and accountability.

And, just as they expect clearer, more comparable data on financial performance and risk, on regulatory compliance, on carbon and water use – so they expect clear and accurate information on lobbying goals, targets and expenditure.

We should embrace this expectation of greater transparency and help to shape the framework in which we will be operating. Industry practitioners, including my own firm, have played a leading role in shaping the EU's European Transparency Initiative. It is a voluntary registration that covers companies, agencies, trade associations/interest groups and think tanks that lobby the European Parliament and Commission. It came about with the support of consultancies in Brussels, under the leadership of the Commission and with pressure from NGOs and some MEPs. The register will undoubtedly be adapted over time and may become more onerous for practitioners – given our “reset world” however, corporate public affairs practitioners have an obligation to engage and be seen to positively respond to stakeholders' calls for greater transparency.

## **VI. CONCLUSION**

In conclusion, as corporate communicators, we must embrace the reset world and respond positively to the important changes flowing from the trio of crises – financial, ecological and trust –referred to earlier. We must accept that our “trust us” model is redundant and that we have to adapt to the “prove it” environment.

Embracing participatory proof demands a dialogue with stakeholders and some creativity. I have suggested that we could learn a great deal from innovations in customer research and bring those ‘co-creation’ techniques into the public affairs arena.

If we fail to adapt our approach, we will fail to overcome the prevailing public scepticism and mistrust. Moreover, we have to adapt to a global decision-making context in which the G20 will increasingly define and shape the policy environment.

If we are to regain public trust, we need to adapt our strategies to ensure that our core business activity and our communications are authentic, consistent and embrace the mutuality that resides between the company's and stakeholders' interests.

*For additional information, please contact Brad Staples at [bstaples@apcoworldwide.com](mailto:bstaples@apcoworldwide.com).*