

Feature

Business and Public Policy: The Bottom Line

Changing the Rules of the Game ...

by Michael D. Lord

Increasingly, business competition in the marketplace is spilling over into the public policy arena. Whether in small entrepreneurial companies or big corporations, managers are attempting to change the rules of the game by which business is played through actively influencing the public policy process. And as with competition in the marketplace, competition in the political arena has significant implications for companies' bottom line performance. Effective business strategies consequently may require managers to design and execute competitive political strategies as well as competitive marketplace strategies. Here are just a few examples:

Financial services: A massive wave of mergers and acquisitions already has been set off by changes in public policy that have allowed interstate banking and that allow some involvement of banks in the securities business. Meanwhile, in Congress, all the key players in financial services (banks, insurers, brokers, credit unions, etc.) continue to battle over even more comprehensive legislation that will determine the nature and dynamics of competition in the enormous financial services sector into the next century.

Electric utilities: Ongoing political debates about deregulation in the electric utility sector are shaping the future of what is currently a \$300 billion industry. Many established utilities saddled with tens of billions of dollars in uncompetitive investments (nuclear plants, etc.) are pushing for gradual, state-by-state deregulation in which they are allowed to recover these costs. Meanwhile, the more well-positioned energy providers (especially a number of aggressive newcomers) are pushing for much more rapid and comprehensive federal deregulation. The pace and details of deregulation policies will largely determine the winners and losers in this massive, ongoing industry restructuring.

High-technology: The wave of antitrust actions against Microsoft that has gathered so much media attention did not simply emerge from the offices of well-intentioned government bureaucrats. Instead, Microsoft's hi-tech rivals have played a key role in initiating and supporting antitrust investigations by the Justice Department, the Federal Trade Commission and various state attorneys general. Regardless of how these actions eventually are settled, the fact is that Microsoft already has substantially curbed a number of its more aggressive sales and marketing tactics in response.

Telecommunications: The battle over competition in telecommunications continues to be waged among local phone companies, long-distance providers, cable companies, and now even Internet providers. Even two years after the comprehensive Telecommunications Reform Act passed Congress in 1996, the key players in the fast-changing telecommunications industry have continued their rivalries in state and federal regulatory agencies and in the courts.

Similar battles continue to be waged in a variety of other industries. The reality that more and more managers are confronting is that, whether big or small, hi-tech or low-tech, no company or industry is exempt from the effects of public policy on competition and performance.

So, what does it take to effectively compete in the public policy process? All the media hype about corporate campaign contributions buying off legislators and about smoke-filled rooms crowded with slick,

manipulative, Gucci-clad lobbyists is misleading. As most companies discover when they wade into the public policy arena, the truth is hardly so simple. The influence of money on the public policy process is greatly exaggerated, and the role of professional lobbyists is hardly so sinister. Instead, public policy is largely determined by those who are most effective at making their case and, perhaps most importantly, by those who can back up their case with significant, broad-based political support.

Understand the Public Policy Process

As many executives are quick to note, politicians and bureaucrats often do not seem to know very much about business. What is perhaps just as true in reverse is that business people often understand very little about politics. Understanding the public policy process is a critical first step to more successfully managing the political environment. Policies that affect business are decided at several different levels (local, state, federal, international) and at several different stages of the process (legislative, executive or regulatory, and judicial). Each level and each stage of the public policy process can be thought of as a particular venue for analysis and action.

What also is critical to remember is that the public policy process never ends. Even after legislation is passed, responsibility for the all-important details of interpretation and implementation typically are passed to executive or regulatory agencies and eventually also to the courts. After comprehensive telecommunications legislation passed Congress in 1996, for example, the mechanics of interpretation and implementation were passed to the Federal Communications Commission and now, because of the actions of many competitors, also are being argued in the federal courts. Some in Congress even are considering re-opening the whole legislative debate on telecommunications policy yet again. Victory or defeat at one stage of the public policy process rarely means that the battle is over.

Be Proactive and Strategic

Successful management of the public policy process requires proactive monitoring for both threats and opportunities in the political environment. For example, many health care companies were initially caught by surprise in the health care reform debate that swept the country in the early 1990s. The debate started at the state level, where many companies were not paying attention, before being picked up at the national level in the presidential campaign of 1992. As a result, many executives were caught off-guard and scrambled for months to try to effectively have their voice heard in the debate. To avoid being caught by surprise yet again, one large pharmaceutical company now uses its thousands of sales representatives all over the country as an early-warning system to actively monitor public policy trends at the local and state levels.

Ongoing involvement in the political process is just as critical. It is much easier to influence legislation at the early stages, for example, than to try to stop a legislative bandwagon once it has built momentum on the floor of the House or Senate. Much of successful participation in public policy depends on building long-term relationships and trust with key policy-makers that cannot be developed overnight.

It is critical to have the top management team involved on an ongoing basis. Business executives have a tremendous amount of influence with policy-makers. They are perceived as credible and authoritative sources for information and opinions on important economic and industry-related issues. Typically, however, many executives have been reluctant to participate actively in public policy, because they frequently perceive it as an adversarial process. But without the active involvement of top executives, it is

difficult to make convincing arguments and build a strong case. Hired professional lobbyists can play a supporting role, but they cannot substitute for direct involvement of senior executives.

Build Grassroots Support and Political Alliances

What many companies overlook or do not understand when they wander into the political arena is that broad and deep grassroots support is the single most powerful means by which to influence public policy. Nothing is more influential than to have a large and committed group of stakeholders who are educated on a policy issue and who are actively involved in the political process. In contrast, big campaign contributions, high-priced professional lobbyists and slick ad campaigns are unlikely to win an issue in the face of significant grassroots opposition. The companies with the most effective political strategies have realized that educated and mobilized corporate stakeholders can be their most potent political assets.

Policy-makers pay attention to, and respond to, feedback from their constituents. This is a key reason why groups such as the National Federation of Independent Business or the National Restaurant Association often are much more effective players in the public policy process than are the largest corporations. These organizations typically are much better at educating their members on key policy issues and, in particular, are much more effective at mobilizing these members to become actively involved in the political arena such as by contacting their members of Congress. Educating, organizing and mobilizing stakeholders such as managers, employees, customers and suppliers who have a common interest in an issue is a highly effective means of influence.

But even with significant grassroots support of all of a company's stakeholders, no single company can hope to successfully influence most public policy issues on its own. Instead, the building and nurturing of issue coalitions and strategic political alliances is likely to be necessary. Only then can a sufficient level of broad-based grassroots support be generated that will be able to carry an issue.

Conclusion

In the past, it was more common for executives to treat all things political as simply minor inconveniences or nuisances. Now, many top executives instead see the political process as a central fact of doing business, for good or for bad a fact that they cannot afford to ignore. In fact, many managers even are perceiving and generating opportunities to enhance their competitiveness through public policy. Rather than simply react defensively to some proposed regulation or legislation, more companies and industries instead are proactively trying to shape public policy for their strategic advantage. In the contemporary business environment, companies that ignore the public policy process consequently are likely to find their competitiveness and performance diminished.

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Make 10 minutes with a lawmaker count

Contributed by Daniel A. Mica
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When I was a congressman representing a South Florida district, I appreciated meeting with constituents who could communicate their message effectively. They knew the basics that I myself now follow as a lobbyist. They had a clear message, they could deliver their points quickly, and they were respectful of my time.

Unfortunately, not everyone follows these basics. This is why even the most seasoned lobbyist needs to ask if his or her association members/advocates really know the particulars of an effective Hill visit. I have been on the Hill for 40 years as a congressman, staffer and lobbyist, and even I still come away from certain meetings saying I wish I had prepared a little more.

From my vantage point, there are several critical areas that need to be reviewed occasionally to keep visits sharp and on point. First and foremost, make sure everyone is on message. Otherwise, you will fail from the word go. To ensure success, I find it best if a visiting local group designates one spokesman who can articulate a clear message quickly. At the same rate, everyone in the group still needs to be prepared to help the spokesman and answer questions.

Time management is critical. In our credit union world, we sit people down and teach them to stick to three top points. We caution our folks that small talk should last no longer than the 30 seconds it takes to greet the member and walk to a chair. We advise our citizen-advocates to recognize the member's typically hectic schedule and have them say, "I know you're busy, so let me get right to the point."

When such lessons are not followed, the results can be disastrous. Years ago, a group and I had rehearsed for a visit with a senior ranking senator. The group's spokesman was prepped and ready to go. When he entered the senator's office, he noticed a picture on the wall, asked the senator about it and lost focus. All the spokesman and senator talked about was the photo, and then suddenly the lawmaker had to leave. The entire purpose for the visit was never discussed.

It's another example of why association and interest group members need to know that congressional schedules can be juggled around at any moment. I can say from firsthand experience that 90 percent of what's scheduled is beyond a member's control. When that bell rings for a vote, it's time to go; when a local TV crew needs an urgent interview, it's time to go; when a colleague, the governor or a mayor calls with a crisis, it's time to go.

You would be surprised by what can happen when folks enter a congressional office. In my two decades as a lobbyist, I've seen more than one Fortune 500 chief executive become speechless in front of members and administration officials. If it can happen to them, it can happen to anyone.

Folks still violate the old but essential rule: Never assume. Case in point - folks assume the member they are meeting with shares their level of focus on an issue.

When I was in the House, I witnessed this error all the time. I would be running from one hearing to the next or darting to a news conference, and a constituent would meet with me for a brief visit. While this constituent was well-meaning and sincere, he or she might say something like, "Congressman Mica, please support us on H.R. 2163" or "Help us on H.R. 32." So as to avoid embarrassing them or me, I would nod and say, "Thank you so much. I'm really pleased that you shared your views with me." When the constituent left, I had to ask my staff what the visitor was talking about.

There will be times when constituents will disagree with a member, and people may be tempted to lose their sense of decorum. Therefore, it is important to remind folks to show basic respect and courtesy at all times, no matter what they may think of the member. I recall an incident some years ago during which a hometown constituent became so upset that he poked his index finger into a member's chest to make a point. The member later called me, and I had a lot of apologizing to do on behalf of our group.

It also is critical to remind advocates about the importance of working with staff. There is a tendency for groups to focus solely on the member, when the staff is just as important. After every meeting on the Hill, I find out the name of the key staffer handling my issue, and immediately write that person a summation of what the member and I agreed upon. It's the staffer who will be responsible for getting the message to the member.

Last but not least, folks need to be reminded about thinking on their feet - literally. The 20-minute meeting that was scheduled in the senator's office may turn into a brief walk-and-talk from one hearing to the next. The mantra to advocates is the same today as it was when I was in Congress: You've got five minutes to meet. Be smart and make those five minutes work to your advantage.

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unions with 90 million members. He was a congressman (D-Fla.) from 1979-89.



Ten Commandments of Lobbying from AIA Illinois

1. Be honest.
2. Be brief.
3. Be polite.
4. Know your message and stick to it.
5. Do not disparage other constituencies or interest groups when making your points.
6. Relate legislation to your personal experiences whenever possible.
7. Do not argue or be critical.
8. Specifically ask for support of your position.
9. Thank your Senator and Representative for their time.
10. Stay in touch with your legislator; at the least write a thank you note for the meeting, reminding the legislator of the issues you discussed.