

## How To Build or Optimize an Effective Government Affairs Function

Building or optimizing a government affairs function is a foreign concept to many executives. Poligage is pleased to share insights from a recent conversation with top experts from our network who have been on the front lines of the government affairs industry, advising executives and boards about the building of an effective government affairs function, operationalizing government affairs functions in-house for organizations, and serving as external consultants for government affairs teams.

### What are the warning signals or tipping points for when an organization needs to start investing in the government affairs function?

**Conrad Woody:** If you're seeing the warning signs or feeling a tipping point, you've likely waited too long to invest in government affairs and now you'll be managing a mess or crisis. The most successful organizations look at the government affairs function as something that is mission critical to their business and commercial strategy. Investing in government affairs means actively getting into the information flow to help your commercial organization make good decisions given the risks it faces, and to identify what you can do to mitigate those risks by engaging with the policy leaders and government officials whose decisions create these risks.

**Ed Ingle:** The big red flashing light signal is when elected officials and decision-makers start characterizing your industry or company without the benefit of your organization's input. But generally speaking, if your company – no matter the size -- needs something from the federal or a state government, or wants to sell to the government, or could be impacted by any type of regulation or enforcement action, that's when it's time to invest in government affairs expertise.

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### How should an executive team get started with building or planning for their government affairs function?

**Conrad Woody:** A good first step is to spend time identifying the key business risks and commercial goals that you think are impacted by government decision making. The next is determining where those decisions are being made and by whom. The quickest path would be to look for resources or experts who have experience with those types of issues and decisionmakers. These resources should also be able to help you make decisions related to the policy and regulations you want to encourage or pursue. The reality is one person probably can't do everything, so you need to think about balancing institutional knowledge with knowledge of these external stakeholders and processes.

**Ed Ingle:** A good place to start is getting input from experts, just as you would if your company were getting into a new product market. A trade association could possibly provide some of the initially needed expertise in the planning around a government affairs function. Also, experienced government affairs expertise that you can access by the consultation, on a project basis, or through a retainer can provide customized insights with an advisor or advisors providing valuable input needed to chart the best course.



**Missy Edwards:** The most important factor in starting a government affairs function is to get “buy in” from C-Suite executives and leaders to really understand the government affairs function and coordinate their role effectively across business units.

**Paul Ramey:** This effort largely depends on comfort level of investment in terms of what makes economic sense for your organization, but generally there are two main approaches to going about this. First, an organization can hire a head of government affairs and rely on that person to build out the needed infrastructure of the function. Second, an organization can hire a multi-state resource as an external consultant to help assess and build out the needed infrastructure. The key difference in the two approaches is cost and flexibility. Which approach is best will vary by organization and a good first step is to understand your opportunity, risk, and/or political feasibility of the issue you are facing.

**It is often said that a government affairs function is one part issue and process knowledge and one part relationships with relevant government stakeholders – in each market the organization has a presence in. How do organizations cover all of these bases in government affairs and show value?**

**Ed Ingle:** You’ll always need these key components for a successful government affairs function. And depending on the specific situation, you may sometimes need more policy and process than relationship awareness or vice versa. As such, an organization ideally needs to enlist some combination of internal team members and/or outside consultants who have the policy and process smarts, as well as a certain amount of relationship capacity. And as policymakers come and go with each election cycle, this is where consultants can be particularly helpful in responding quickly to new relationship needs.

**Missy Edwards:** I’ve always felt that government affairs teams can show their value in several ways. The first is always linking regulatory or legislative efforts to potential commercial opportunities for the organization. The second is to informing business strategy around managing risks and expanding revenue from engaging with the government. And the third is to increase stakeholder engagement to make sure the company’s voice is heard and government decisionmakers know what actions will help or hurt the company’s employees, customers, and whomever else it impacts. Start with this approach and you’ll factor in both the policy knowledge and the relationships needed as you go.

**Paul Ramey:** I often counsel development of a SWOT analysis like another business function uses to tackle an issue for their organization. In order to devise a plan to tackle how exactly to focus your government affairs function largely depends on whether you are reactively responding to a clear threat to a part of the business, pursuing government procurement opportunities, or seeking statutory changes that allow your business to access or expand in a market. Depending on which overarching bucket your need falls in will depend how your engagement is structured, but may consist of hiring in-house FTE’s, external consultants, local jurisdiction consultants, joining national organizations that provide the necessary access to policymakers, or some combination of these.

## If an organization decides to look at hiring external consultants or lobbyists, what criteria do you recommend they use to vet them?

**Ed Ingle:** Similar to hiring a new employee, an organization needs to conduct similar due diligence for an external consultant or lobbyist. For example, how is this consultant or firm viewed in the public domain, if at all? You want to at least have awareness of any negative public reporting. Can the consultant demonstrate his or her expertise in your organization's given issue set or policy need and/or demonstrate their experience in working with the relevant decision-makers? It's important to know what similar work they have done for other clients. And it's especially important for the consultants to be up front about their current clients and where there could possibly be conflicts of interest.

**Paul Ramey:** Do your research and also seek recommendations from trusted colleagues who have had success with the type of consultant (whether generalists, procurement focus, health care, etc.) you may need. Look at credentials and reputation. Understand that finding a reputable resource can sometimes seem as difficult as finding someone to fill an FTE role, so it is best to find someone with some experience working in your industry previously. Don't be afraid to ask for references.

## Sometimes it's hard for companies to make an investment in something that might be a risk, but they won't know it is until they have a crisis on their hands. How do you counsel companies on that?

**Conrad Woody:** I think it comes down from how the organization's leadership views risk. Since the pandemic, government affairs as a function has migrated in many ways to become akin to a Chief Risk Officer, helping the company achieve its commercial outcomes by limiting the barriers or even speedbumps it faces. So if you think about everything that governments in the United States and around the world are doing, you want to make sure that you're represented in the room and preferably at the table shaping the business and policy environment, which will mitigate your risks and improve your commercial outcomes. Law firms don't always get invited to those tables – you need someone who is closer to your company to represent you if not someone from the company itself. At the end of the day, you shouldn't want to have any business exposure that could have been prevented.



## Is there an optimal organizational structure for the government affairs function? What have you seen work well?

**Ed Ingle:** There is no one-structure-fits-all approach to a government affairs function. Much will depend on answers to key questions like: Do most of the public policy matters reside inside a given department at the company or business unit? Is there enforcement or regulatory exposure? Are there broader reputational risks for the organization? Answers to these questions could dictate whether the government affairs unit is located in a specific business unit, the legal department, corporate affairs, or the communications department. In any case, the government affairs leaders should have enough seniority that they are comfortable in working directly with the CEO and other senior leaders as needed.

**Conrad Woody:** The structure that works the best in my view is when government affairs resources report directly to the CEO or at least have direct access to the CEO. Because then the organization has made a statement that they value the position along the lines of other top executives. But it can also work well when the government affairs function reports to a general counsel or corporate affairs officer or someone with operational responsibility for governance.

## Are there any standards or metrics for how organizations should think about budgeting for their government affairs function?

**Conrad Woody:** I think the budget considerations should be tied to business or commercial outcomes as well as governance goals. This means that government affairs will likely be a shared service, and a number of departments will rely on this shared service to help amplify their business and create a favorable environment for them to be commercially successful. Executives should tie any investment to the value of the business outcomes. That means thinking about the time and focus needed by resources internal to the company and engaging resources from outside the company that will help you achieve this value.

**Paul Ramey:** This is really a matter of preference, but my philosophy on government affairs budgeting (or really any corporate relations function) is to use a zero-based budgeting system for annual expenditures. Starting a budget will depend on the opportunities or problems you are solving for, but a zero-based budget will require clear justifications for increases and a proper ROI assessment on existing expenditures year over year.

“ Government Affairs function budgeting should be tied to business or commercial outcomes as well as governance goals. Government Affairs may be a shared service among several departments. ”

**Ed Ingle:** One key threshold question to consider would be this: in the absence of a government affairs function, what could be the potential dollar exposure to the company of a worse case or moderate case scenario (e.g., regulatory action, enforcement action, out-flanked by a competitor, etc.)? This type of analysis could help in driving budgets to support the government affairs function, much like the analysis done for how much insurance coverage an organization should carry.

## What are the risks if an organization does not invest in a government affairs function?

**Conrad Woody:** Operational effectiveness. If you think about tax policy, as just one example, that is an issue critical to the operational efficiency of a company. And it's the same with

regulatory issues that can impact how you can navigate your markets, or political issues that do the same. When it comes down to it, do you really not want to invest in a function that deals with with market access, business, and commercial issues? Do you really want to have an environment where your organization's leaders are not getting the best information to make decisions, or aren't at least trying to contribute to shape those decisions? You might be in the dark about something that's been brewing for the last year, and then all of the sudden you're scrambling to create a solution for it, or the train leaves the station without you. Investing in the function of Government Affairs overall will help your leaders be more informed about how they need to position themselves to create an effective business environment.

**Ed Ingle:** Risks might include an adverse regulatory action or enforcement action, a negative decision out of the FTC or Department of Justice over a proposed merger, reputational and brand damage, or ceding the playing field to a competitor that is able to influence regulation and legislation to their advantage and to your disadvantage.

## What mistakes do you see organizations make when building their government affairs function?

**Ed Ingle:** A couple of mistakes come to mind. First, they tap too junior of a person to oversee the government affairs function. Less experienced government affairs staff tend to serve primarily as a monitoring and alert system, that is, to sound the alarm when adverse government action is already upon an organization. A more experienced professional will be more apt to better prepare for, mitigate or avoid the adverse action – while also being better equipped to address the adversity in the days and weeks that follow. Second, an organization should also invest in at least some outside expert advice and counsel when it comes to government affairs, providing some very helpful – and more candid -- perspective and specific expertise when it may be needed most.

**Paul Ramey:** I view the top three mistakes companies make as one, not having support from the top for the long-term value of government affairs/lobbying. Two, they have unrealistic expectations on what is achievable through government affairs. And three, they don't consider the compliance or tax implications of a government affairs function prior to building it out. These are all things that experts can help a company new to government affairs think through and plan out.



**Conrad Woody**

**Partner, Odgers Berndtson**

Conrad Woody is a Partner and Head of Odgers Berndtson's Washington Office and leads the U.S. Association and Corporate Affairs Practice. His portfolio of search work includes advising clients on corporate affairs, public affairs, public policy, government affairs, trade association CEO and leadership roles.



**Missy Edwards**

**Founding Partner, Missy Edwards Strategies**

Missy Edwards has more than two decades of professional experience in federal government affairs, electoral politics, and public affairs across numerous industries and a wide range of issues for companies, trade associations, and others. She has worked as a senior staffer in the U.S. Senate, an association lobbyist, and has advised numerous political campaigns.



**Ed Ingle**

**President, New Lantern Partners**

Ed Ingle has 30 years of public affairs and public policy experience in high-stakes environments. Ed left Microsoft in September 2019 after spending 16 years managing the company's government affairs engagement with the Executive Branch, Congress, Governors, State Attorneys General, and local leaders.



**Paul Ramey**

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Paul Ramey has deep experience leading U.S. government affairs operations at both the U.S. state and federal levels, including for multi-state government operations. He has worked in-house for non-profit organizations and publicly traded companies in Washington, DC, Illinois, and across the United States.

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