A New Strategic Framework For Public Policy Engagement

Findings:

- **Today's more complex public policy debates require more sophisticated, often expensive efforts to achieve good policy outcomes.**

- **Organizations need to assess efforts to improve public policy with a robust understanding of likely outcomes and potential economic impact.**

- **In addition to modern tactics, organizations need to think about public policy in a strategic framework that can prioritize issues.**

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THERE are plenty of lessons to be learned from this election cycle, but it's clear that good public policymaking isn't getting any simpler.

Not only are the issues complicated, but the arguments, campaigns, and persuasion around those issues are more complex than ever. Smoke-filled rooms are gone. Handshakes alone don't get things done. Uncertainty is increasing the value of strategic thinking and new tactics.

We can see public policy consulting adapting to the need for new tactics. Digital capabilities are flourishing. Data analysis has come to the fore. Lobbying firms are adding on complementary capabilities, and there are a host of trends driving this change.

Beyond just adapting to the tactics of today, organizations also need to adapt their strategy for the new environment. In a context where issues escalate quickly and shifting public policy for the better can be complex and expensive, firms, non-profits, and others need a more robust strategic framework for engaging on these issues.

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Trends

Political friction is perhaps the most apparent trend. We see contentious politics in our public debates, both between and within the parties. The rise of populism, as well as reforms and changes to the legislative process, have made decision-makers more independent of party leadership and more focused on the loudest voices among their constituents. This has resulted in recent Congresses being among the least productive in history (Figure 1).

Fig. 1 Trends Impacting Public Policy Debates

More information channels	The public and decision-makers can be reached in exponentially more ways at all times of the day.
Federal friction	Policymaking has largely stalled at the legislative level. GOP governance may change this, but the populist-conservative alliance is still taking shape.
Availability of data	Technology advancements and new focus on collection has made data and analysis more prolific.
More advocacy organizations	The advocacy space is getting more crowded, making it more difficult to be heard, but providing more opportunities for productive partnerships.
Enhanced role of media	Technology has facilitated an "always-on" public, greatly increasing demand for, and supply of, media content.

With a unified Republican government in Washington, we may see the return of legislative action, but how the populist conservative coalition functions is still uncertain. In recent years, rulemaking filled the void of legislative agreement. Regulatory agencies have been busy coming up with new rules and guidance across a host of industries, and even when unable to make a rule, they have been aggressive in their use of the public bully pulpit and litigation to make their point. These audiences are even harder to reach and persuade than Congress.

Of course, that doesn't mean that people aren't trying to persuade. Advocacy organizations in all forms continue to grow, including associations, non-profits, think tanks, and dedicated firm-level groups. And with the proliferation of digital capabilities, these organizations now have more channels through which to push their perspective.

One of the biggest drivers of these changes is the explosion of the media and its ability to influence and shape the discussion around public issues. As the cost of entering the media space has been driven down by technology, a host of organizations big and small have flooded in to fill every crevice.

Tactical Implications

These trends have several implications as organizations think about influencing public policy, and the first is to take a multifaceted approach to any issue. Organizations should be thinking about their government relations tactics, their media tactics, their digital tactics, their grassroots tactics, how they engage with think tanks and third parties, what their thought leadership profile looks like, and any other tool that may be at their disposal. A surround sound approach is critical to making positive change or avoiding the consequences of bad policy.

The other key component is that for all audiences, however they are reached, organizations must have a compelling message and story backed by data and analysis. It is not enough anymore to repeat talking points until they are believed. There must be a compelling explanation of the issue, as well as a clear demonstration of how the issue impacts people at a personal level.

However organizations adapt tactically to these trends, they also need new strategies to prioritize these tactics in a way that will advance overall goals.

A New Strategic Framework

Organizations slow to adapt in this new environment can be blindsided by rapid changes, or find their public policy efforts mismatched against their actual business exposure.

Fig. 2 The HPS Strategic Framework For Public Policy Engagement
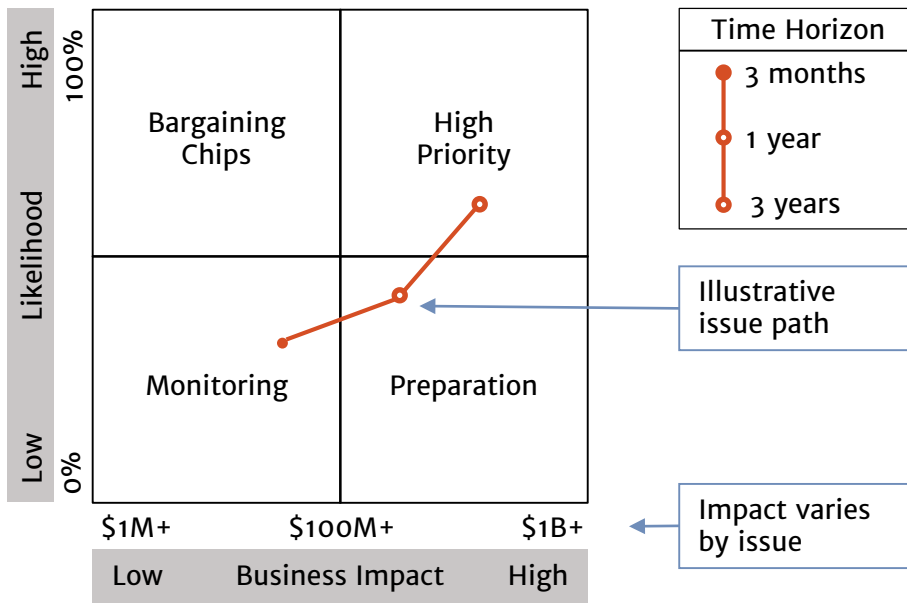
To solve these problems, HPS developed a framework to assess the likelihood of a policy event happening over a given period of time and match it against the economic impact, whether that occurs at the macro level or for an individual firm (Figure 2).

This allows organizations to better understand how their different public priorities are moving and where to put their resources. Companies with a billion-dollar public policy risk should not be thinking about their engagement with an effort that costs thousands of dollars, even if they see that risk as low. Likewise, if the public policy risk is high, but the firm is exiting the business, it may make sense to de-prioritize efforts on a given policy. Absent a more effective way to assess the risk and effort, public policy

strategy can easily devolve into the equivalent of a finger in the wind.

This approach allows firms to apply a strategic framework for each issue. Assume for a moment that a given public policy action has an adverse impact on a given organization. If an issue is high likelihood but low impact, it becomes a bargaining chip. If the issue is low likelihood and low impact, it is designated for monitoring. If the issue is low likelihood but high impact, it calls for preparation. And if there is a high likelihood, high impact issue, that becomes the organization's main priority.

By tracking what a given issue is projected to look like over time, we can also add an important nuance to the framework. High impact issues that today are low likelihood, but are projected

to become high likelihood, should get significant resources and attention.

A Technology Strategy Snapshot

As an illustration of this concept applied to a real-life policy issue, we decided to look at technology issues, in particular the debate around independent contractors. Independent contractors have been around for a long time, but until technology was deployed to provide a market for things like rides, deliveries, and odd jobs, these services didn't have the scale they recently achieved.
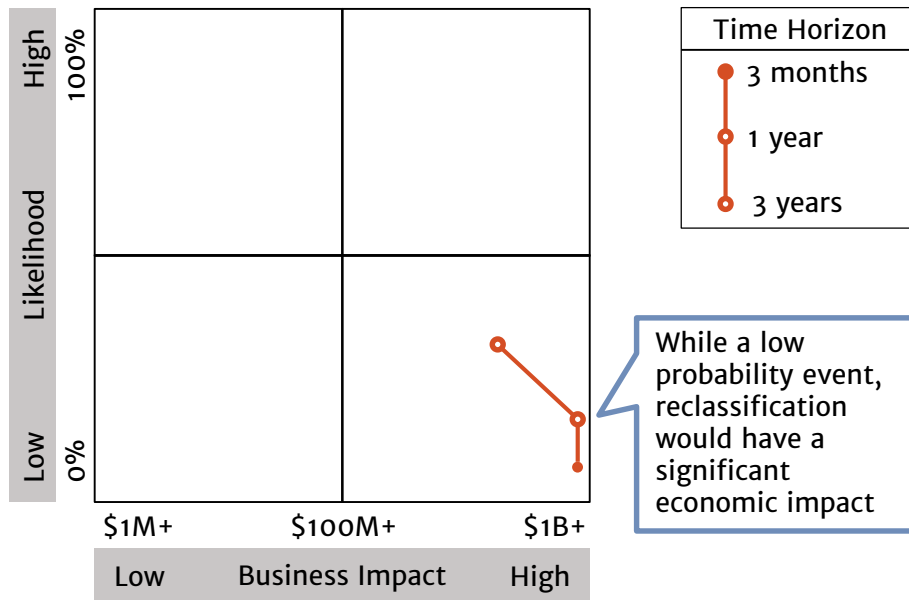
As companies like Uber, Lyft, TaskRabbit, and Postmates have grown in popularity, a debate has emerged about whether the individuals providing services through these apps should more appropriately be classified as full-time employees, rather than independent contractors.

Leaving aside the merits of this particular policy debate, such a change would have a range of implications for both the individual service providers, as well as the companies behind the apps. This is the question we explored for this example of the framework.

We worked with Capital Point to survey a range of individuals engaged on technology policies at the federal level and gauge their estimate of the likelihood that the fed-

Fig. 3 Independent Contractor Policy Forecast

What is the percent probability that a bill will be enacted in the following timeframes that reclassifies independent contractors in the sharing economy as employees?

Time Horizon
- 3 months
- 1 year
- 3 years

While a low probability event, reclassification would have a significant economic impact

eral government reclassifies independent contractors as employees through legislation (Figure 3). Respondents generally viewed this as a low probability event, though with increasing likelihood in future years. It should be noted that the assessment was for legislation, not regulatory action.

For the purposes of this framework, we also wanted to assess the market impact of such a change on an individual company like Uber. Even within that context, we are really trying to understand the order of magnitude of impact for such an event. Would such a change be a million-dollar impact, a billion-dollar impact, or somewhere in between?

In this case, for a company like Uber, they would have to

start paying for things like employment taxes, reimbursement for expenses, and healthcare. Not all of these costs would impact Uber's bottom line directly, of course. Many of these costs are already passed along to the passenger from the driver, and now Uber would pass those costs on, with the drivers receiving less of the gross revenue.

Regardless, such a change might cause serious disruption to the company. It is difficult to assess exactly what the impact would be, but in an aggressive estimate, *Fortune* put the cost for Uber at over $4 billion. While that estimate may be high, we put the impact at nine zeros.

At the same time, it's important to consider how

that impact might change over time. In this instance, Uber is already conducting a great deal of research (as are others) into driverless cars. While that doesn't make a difference today, it is possible that over the medium term, the question of independent contractors may be less of a concern to Uber.

For Uber, this is a public policy issue they would want to be on top of and prepared for, even if it may not be at the same level of urgency as the different local disputes with taxi and limousine commissions. For the framework to be truly robust, it should include the full portfolio of public policy issues and risks.

Conclusion

It is widely accepted that the sophistication of campaigns and public policy debates has increased in recent years. To engage on these issues now requires an equally sophisticated strategy, tailored to a firm's issues and comprehensive in approach.

It is not enough to argue that public affairs campaigns are more complex and expensive than in the past. A public affairs team should lay out a comprehensive strategy that matches up good public policy against the business impact for their company. []