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EXECUTIVE SUMMARY

How does issues management deliver a competitive edge in Australian financial organizations? As this paper will show issues management (IM) is not the preserve of Public Affairs departments alone. It identifies the changing role of issues management within the organization and with other line managers. This paper also explores how companies identify emerging issues through a series of interviews with senior management of four leading Australian financial institutions. Research undertaken also shows whether the work of issues management is evaluated and whether commercial disciplines are used.

INTRODUCTION

Issues management is seen as a key function of the Public Affairs and Public Relations departments of commercial organizations as diverse mining and healthcare. Yet some industries have failed to realise not only what IM is but the overarching role it plays in organizations - Issues Management is more the “tieing together of social and political intelligence, external action programmes and internal communications” (Post, 1994).

To be able to exert an influence on strategy at a corporate level it is important that the organization recognises the strategic value of issues management to the organization. Contribution to corporate strategy is linked to a department’s own goals and key objectives. By their nature these must reflect and support those of the organization. The development of issues management strategies and the development of suitable departmental evaluation is a key area of debate.

Through issues management public affairs departments in Australian corporations become catalysts for corporate change and are recognized as a value adding function to strategic management. In so doing they contribute to the financial health of their organizations and are creating a paradigm shift in respect of business ethics, corporate responsibility and competitive analysis.

Research for this paper stressed the role of public affairs in issues management. One interviewee stated that “The Director of PA is the initial contact for issues that fall outside narrow functional areas of the organization.” The interviewee went on to state that the role of Public Affairs in Issues Management was to:

1) Determine the issue
2) Clarify reasonable objectives in a reputation sense
3) Make judgements about balancing this against the balance sheet
4) Provide recommendations to CEO and Board to let them make decisions
5) PA manages the issue through to fruition with a number of key players.
gives organizational grass roots input to issues management.

Issue identification requires strict filtering which no doubt explains the quality control put in place and, as Raynor (1996) states, this allows the public to interpret the current and future social and political environment for strategic commercial planning and encourages the integration of responsibility for dealing with social and political matters with other aspects of direct line management. More and more the role of public affairs executives ought to be about driving and managing the integration. The more that that work becomes an integral part of the strategic, commercial and operational aspects of (an) organization the more professional that organization will become.

Issues are factored into corporate planning but interviewees stated more often that issues management was used in developing contingency planning. However for all interviewees the final decision as to whether specific issues are incorporated into overall organizational strategy rests with the board. All interviewees echoed the statement from the Centre for Corporate Public Affairs Report (1996) that “public affairs staff tend to take on the role of internal strategists and advisers to line managers.”

One of the requirements for issues management to be valued at the planning level is that the function must be diffused throughout the corporation. Line managers or operating managers throughout the corporation should be sensitised to, and trained in the identification of issues and have recognition for issues management in the organization. Findings from this research suggest that once these managers have recognized that issues management is relevant and a significant factor in their operations they will carry this conviction into the planning process, and thereby legitimise, from the “bottom up” the linkage of this function with strategic planning and policy action.

Allen (1992) points out in the that many public affairs executives are “blighted” by every line manager being a self-confessed expert in public affairs. This could also be true for issues management as supported by one interviewee in this research noting over zealous line managers identifying daily issues! The challenge is to earn the role of the respected internal authority on social and political issues and their relevance on such issues to the future of the business. Allen (1992) continues that if this is recognized then a key role in the strategic planning process for public affairs should be seen as imperative. Allen’s research has shown that “internalization of the external relations into core management is crucial if for no other reason than uneducated or unaccountable line management can stuff things up unmercifully. It is not surprising then that many external pressures arise from ignorant insensitive activities within line management.”

Allen (1995) found there is a new approach developing between public affairs executives and business unit chiefs possibly through the conduit of issues management in Australia and New Zealand. He notes that within the framework of the overall strategic plan, the public affairs specialist is increasingly sitting down periodically with the line manager to establish a form of contract. The public affairs executive negotiates what is required of public affairs by the business unit or individual manager in pursuit of their business objectives. At the same time business units commit to reciprocal obligations of time, effort resources and so on in the pursuit of these objectives.
IMPLEMENTING IM

The key findings of research in this paper indicate that best practice IM occurs in open organizations where two way symmetrical communication processes are established. Recognition of issues should be a task of staff at all levels. Results of the research emphasise that public affairs should prioritise and filter issues when presenting to the ultimate decision maker – the board.

The organization benefits from this reporting style as it builds on the employee relations concept of empowerment. Public affairs also benefits as the function’s role goes beyond reporting to the board and becomes counsel.

EMERGING ISSUES IDENTIFICATION

Research for this paper revealed that one organization has prepared a plan for staff to use as a template for identifying issues. In this particular organization no formal public affairs department exists. Such a template is invaluable for it allows employees to assist in issue identification and take part in ownership of issues. It is particularly useful for both early issue identification and live issue management. The tool’s value for the organization could be increased if made available to the company’s intranet with some form of filtering system which would assist issue managers in analysing and prioritising issues.

The tool paves the way for rewarding staff whose IM contribution, although not part of their functional role, could be recognized in much the same way as manufacturing companies reward employees for technical innovations. As Heath (1997) points out: Often, one or more members of the organization recognise the nature and seriousness of an issue and sell it to management. As management comes to share the sense of opportunity or harm that can result from the issue, they move to name it, collect information about it, discuss it, and assign key individuals to the issue. Managements are more likely to find subordinates willing to watch for an issue and bring it to executives’ attention when the management cadre is open to and rewards such initiatives.

A further finding of the research for this paper showed that the process of Emerging Issue Identification (EII) is aided by the organizational establishment of an issues management manager. However one interviewee stated that while issues are ideally identified by Business Units they will be coordinated and managed by the issues manager and prioritised from board level. Once again, as with other interviewees, cross business unit and cross functional teams are often brought together and managed as project teams. This is probably the first issue manager position in Australian industry and is the first in Australia’s finance industry.

Heath (1997) writes that issues managers must be able to to assist strategic planning, issues managers – in coordination with key persons throughout the organization – must scan the environment to (a) ascertain what public policy issues are arising and progressing, (b) know their substance, (c) identify why they are staying alive and what players are sustaining them, and (d) learn from the analysis.

Research for this paper showed however that the organizations rely on industry associations to perform these roles. The research revealed that organizations often do not want to be associated too closely.
with a particular issue and so use an industry association to undertake the role of issues manager and issues spokesperson. Findings from the research also showed that scanning and monitoring in legislative areas is left to industry associations. Analysis and prioritising is left to the companies through their specific issues management teams or Government Relations section.

**KEY FINDINGS IN EII**

The concept of the public affairs manager as a boundary rider within the organization is widely accepted. It can be assumed then that the IM function needs to be based in public affairs and that such a development is recognized and acknowledged by other functions in the organization. This recognition can be given a higher profile by the appointment of an individual styled IM manager.

Implications from the findings from the present research suggest that a key task of the issues management manager will be to maintain an issue database that will quality control all issues. Senior management, with varying degrees of access, will be able to enter and add to, under strict guidelines, the database. One advantage of such a protocol is that media responses can be uniform throughout the organization.

Further findings from the research for this paper revealed that ad hoc issues management had been prevalent in the organizations through dependence on informal networking, relationships with systems and organic growth of issues.

**LIVE ISSUE MANAGEMENT**

Meng (1992) has noted that if an organization identifies an issue early it will have a wide range of alternatives to choose from before committing itself to appropriate action. The odds are greater that an organization will be able to influence the issue and avoid formal constraints on its actions.

For many organizations, issues move very quickly from emerging to live issues. Acceleration of issues is often driven by media interest and may often not necessarily reflect public interest.

For priority setting however which “entails monitoring an analysis to determine what issues constitute opportunity or threat to the sustained implementation of the strategic business plan” the responsibilities will more often than not rest with the board. Interviewees stated that this is not only because final corporate strategy is a board responsibility (although most emphasised that strategies were not set in concrete but fluid mainly because of board awareness of issues management) but also if an issue (and we are concerned only with those that affect corporate strategy) may require extensive resources which only boards can “sign off.”

**KEY FINDINGS IN LIVE ISSUE MANAGEMENT**

This research showed that teams were the common vehicle used to manage live issues. They were also vital to the analysis of the issue. Cross functional teams from varying Business Units and importantly, where appropriate, the role of industry associations all assisted in managing issues because as Heath (1997) observes “Issues monitoring and analysis ought to be systematically diffused throughout an organization rather than be the responsibility of a single concentrated group.”

Two organizations interviewed in this research stressed the importance of
internal communication as the bedrock of good 'live' issues management within the organization. Internally both companies operate a free access information system with very few constraints. The shift from issue to crisis is often apparent when internal communications break down or the method of internal communication is top-down only. As one interviewee stated...not so long ago Head Office would issue edicts...now through empowerment we’re more consultative...with branches, public, government, all and sundry. I think we end up with the same approach, but there are some extra steps in the process because of the cultural way we now do business.

EVALUATION

Evaluation is difficult in public affairs departments and has been ignored by many practitioners. It is however a key criterion for not only recognition of the viable function within the organization but also one that has something worthwhile to contribute to the organization as a whole. Amos (1992) identified evaluation as the Achilles heel of public affairs management.

Interviewees in this research noted that "success is in the management of the issue not the process – issues management is outcome driven." Evaluation in issues management is, at best, informal and more used in staff appraisal. For one interviewee, management and board perception of issues and the success or otherwise, were the most important from of evaluation.

“Equivalent values of advertising dollars, although crude, is another measure used through external media monitoring, which ascertains positive, negative and neutral coverage of issues which indicates how you’re tracking against key messages these tools form management and board perception of how public affairs is doing.

A good result is issue identified, monitored and resolved."

KEY FINDINGS IN IM EVALUATION

The lack of real quantifiable tools used by the interviewees shows a degree of reluctance or immaturity of the issues management function within the organization. One of the more legitimate difficulties that face evaluation of issues management programs is that many require long term commitment. An interviewee stated that “Social and cultural change is slow and a campaign, such as the one for superannuation, cannot be judged as a success or failure within a year or even three.”

For issues management evaluation to be successful it must be built in from the identification or monitoring phase of an issues management program. Weiss (1972) wrote of the relationship between effective program planning noting: The sins of the program are visited on the evaluation. When programs are well-conceptualized and developed with clearly defined goals and constructive methods of work, the lot of evaluation is relatively easy. But when the programs are disorganised, beset with disruption, ineffectively designed or poorly managed, the evaluation falls heir to the problems of the setting.

CONCLUSION

The key implication, drawn from this research, for the role of issues management and strategy is – why should it contribute to strategy? Issues management is the one function that can help implement change from a macro level. In the era of the responsible
corporate citizen, of an increased emphasis on ethics in business, it is the public affairs function and issues management that provides the conscience for an organization. The mission and function of issues management is broadening and becoming more important in the light of the challenges confronting corporate management. These challenges must be met by executives with broad capabilities and backgrounds. Issues management helps executives to lead corporations rather than defend them.

As Allen (1995) noted: I am encouraged by a determination in an increasing number of companies to go beyond the approach characterised by “losing as slowly as possible”. There are serious attempts to turn the defensive, reactive mode to one in which long run corporate goals are being put in place . . . some companies and some industry organizations are moving ahead of the critics to try to capture the gander and the strategic highground.

This turn around is facilitated in part by the more conscious linkage of corporate affairs with strategic planning. Allen (1995) also suggests Leading edge public affairs practitioners have established themselves where they should be as the respected corporate authority on the social and political environment and its impact on all aspects of the corporate future. So positioned they can then provide and authoritative context for planning – as with marketing, technology . . . and provide a reality check for plans when formulated. This is big shift from the old PR model of taking what the decision-making heavies develop as strategy and putting the best gloss on it. As one leading practitioner put it “the strategic plan is something brokered with all of us with relevant expertise, not a thunderbolt from God.”

Allen’s statement outlines the place of issues management within the organization and its validity for contribution. It is necessary in looking at this to examine why issues management is integral to strategy. The present research found that issues management in Australian financial institutions has a nascent function in corporate strategy. So what is the set of commercial conditions that has created a strategic role for issues management in Australia’s financial corporations? A CCPA (1996) survey recognized issues management as the pinnacle of public affairs activities because of its strategic focus on understanding the external environment. It is designed to avoid crisis management through anticipatory planning and proactive measures before crises occur. “A crisis is an issue that has not been properly managed” according to an interviewee. As a formalised process it can assist companies in thinking about how to be successful and forward looking rather than just reactive to problems posed by the external environment.

The social and political turbulence of the past decade has led corporations to give greater attention to the external environment. This turbulence has come about on a variety of dimensions ranging from growth of public action groups to expanded regulatory action by government. The traditional economic orientations of the company, its role and its position in a free market economy, have become subjects of interest and prolonged public debate. In particular, critics of companies have begun to question the narrowly conceived economic mission of a company arguing that “the performance of the business as an institution needs to be addressed within a societal and political framework” (Mahon, 1984).

Issues management’s role in organizations can only increase, interviewees feel that within three to five years a discrete function will be operating in most Australian financial corporations. As Reynolds (1997) noted : The public and
private sector are now subject to increasing public demand for responsible action and consideration of public opinion. Indeed, Bucholz suggests that it is this divergence between social values and organizational policy and behaviour that creates a public issues in the first place . . . The point is that it is not good enough for organizations to do good things they must also be perceived to be doing good things.

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