

Pivotal leaders for uncertain Europe

Government affairs experts will be in high demand as Europe sorts out many critical issues, including Brexit. But this talent must adapt and look to its future, too, Korn Ferry research finds.



New insights about government affairs.

Although their profiles potentially will be higher than ever in Brussels and in national capitals across the continent in the days ahead, there is a surprising divergence and lack of detailed information about government affairs leaders and their roles and practices in Europe. What traits, characteristics, and experiences best set up these C-suite executives for success? And how, optimally, do they not only fit within complex enterprises but also rise professionally? “Good government relations is probably one of the most intangible and difficult to measure elements in corporate leadership,” Karel Lannoo, CEO of the think tank CEPS (Centre for European Policy Studies) in Brussels, recently told Korn Ferry. “This is reflected in a variety of views among corporations and corporate boards on the subject. For some firms, it is a high-priority item, with a direct reporting line to the CEO; for others, it is secondary. Some firms prefer to have a high profile; others prefer to remain unknown. Some have, because of their brand name, direct access to governments, whereas others are much less known and prefer it that way.”

Lannoo added, “Quite too often, however, it is a matter of ignorance of the importance of good government relations, or the result of a *dédain* toward government officials and the role of the state. The price for this attitude is paid as a result of failure to adequately apply rules, and the costs in fines or in a bad public image, which often takes years to restore. It is therefore better, like with an insurance policy, to consistently invest in government relations as a protection against bad weather, or tempests.”

Korn Ferry Hay Group research has affirmed that increasing political and economic uncertainty in the European Union will require government affairs experts to adapt and to step up significantly their representation of the interests of companies, organizations, and sectors—both at the continental (EU) level and in member capitals. Complex negotiations over how Europe will innovate, grow, and compete are under way in government centers and involve many parties (Palmeri 2016). Will the continent be not just stable but able to thrive? While the UK’s relationship to the EU dominates headlines because of the voter-approved Brexit (Lim and Schofield 2016), enterprises operating in the region must confront myriad key issues, including regulation, taxation, data protection, and climate change.

To provide greater insight into how government affairs executives will play their part in shaping the future of Europe, Korn Ferry reached out to dozens of top leaders in the field via a questionnaire and interviews. These, combined with the firm’s long and deep experience with elite talent in the field, give Korn Ferry good news to report: There probably will be a robust market for European government affairs executives as organizations seek to monitor and influence European legislative and regulatory initiatives. Given that movement of European affairs executives among industries is common, there also will be many opportunities for ambitious European government affairs executives to gain new experiences and move forward in their careers. The firm’s research showed that government affairs executives believe they possess competencies required to perform effectively today, but the findings also indicate that they will need new skills and capacities in the future.

Competencies: present and future.

In the study, the firm identified three top competencies necessary to be an effective government affairs leader today:

- *Strategic mindset*
- *Ability to build networks*
- *Ability to communicate effectively*

These competencies, practitioners and others told the firm, are fundamental and critical because they allow government affairs executives to seize on public policy issues of relevance to their enterprises and to launch and foster conversations critical to society. Some of these initiatives may not lead to legislation, but they all have huge effects on the way enterprises operate, the experts emphasized. With prospective regulations, for example, government affairs experts probably would be asked to analyze potential policy impacts, then to frame issues in a way that communicates with targeted audiences. They would provide senior executives with decision options. They would persuasively represent their organizations' positions to external stakeholders. At an early stage, government affairs leaders would need to understand the concerns of all parties involved in an issue, share information, and determine a path that would resolve the issue in a satisfactory way. "Intrinsic to success is the ability to see, understand, and stay ahead of the government agenda," said Andrea Rappagliosi, vice president and, as of Jan. 1, head of public affairs for Europe at Sanofi.

Although the competencies Korn Ferry has identified, particularly through its research-validated (Jones and Lewis 2016) Korn Ferry Four Dimensions of Leadership (Orr, Crandell, and Hazucha 2014), are essential for a government affairs executive to perform at a high level, they do not correlate with skills and capacities required of leaders at the tops of organizations. CEOs and board directors display other competencies: *managing complexity*, *driving results*, and *nimble learning*. For government affairs executives, the gap between their existing and top leadership competencies (see Figure 1) suggests they may face challenges when competing with peers for board-level positions.

When asked to rank the importance of their work to the competency of *cultivating innovation*, government executives gave it a low ranking. But they ranked it first when asked which competency they most need to develop in the future. They clearly believe their future positions will demand new and creative thinking and processes.

For now, core competencies are important because they can figure prominently in hiring. External talent firms like Korn Ferry have developed ways to assess these. But other qualities cannot be underestimated. “I look for a team builder, the ability to manage a diverse team, and a demonstrated track record,” said Liam Benham, vice president for government and regulatory affairs in Europe for IBM. “Also, some people are comfortable in the Brussels bubble zone but less so outside of Brussels.”

One of the myths of the profession, said David Earnshaw, associate vice president, public policy, Europe and Canada, of Merck Sharp and Dohme, is the idea that high-level contacts are the most important factor in driving success for government affairs experts. “You can’t get things done just by knowing people,” Earnshaw said. “Knowledge and creative, compelling ideas count for more than contacts.”

Figure 1
The KF4D.



External challenges.

Government affairs experts are confronting a fast-changing and therefore increasingly challenging external environment which is impacting their outreach to stakeholders in the EU institutions as well as in member state capitals. These external challenges, including increased use of social media, are making it more difficult to engage in productive dialogue on important policy issues, experts told Korn Ferry. Susan Danger, CEO of the American Chamber of Commerce to the EU (AmCham EU) said, “Government affairs are used to relying on technical arguments supported by facts and figures, but this is no longer resonating with an increasingly diverse and informed audience and is often not believed. People want to know how policies will affect their lives. We all have to do a better job of telling stories to remain relevant.” This point of view was shared by Petra Laux, head of public affairs for Novartis International: “Reasonable people have difficulties getting their point of view across.” Max von Abendroth, executive director of the European Magazine Media Association in Brussels, added, “The transparency register has made things more difficult. There is a less open dialogue, and positions are formulated behind closed doors, sometimes very much to the surprise of industry.”

Organizations also are under greater scrutiny than ever because of the growing expectation that they will act in a socially responsible manner and because of the popularity of social media. In response, some enterprises are changing their reporting structure, connecting government affairs with other public-facing functions to articulate a cohesive, consistent message to government officials, the media, customers, investors, and the public. “For a government affairs person, the environment in Europe has never been more complex,” Earnshaw said. “On many fronts, it’s not clear where we’re headed. The best you can say is that it’s important to be adaptable.”

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EU institutions.

European governments and businesses once worked more closely together than is possible today, said Karl Cox, vice president for global public affairs at Oracle. “Government is now hesitant when engaging with business. Things are more visible today and this leads sometimes to calls for ‘equal time’ for all stakeholders,” Cox said. “In my industry, it is also difficult because all the major high-tech players are US-based. It’s not blatant anti-Americanism, but it is not far off. Therefore, the populism around privacy and data protection is so difficult to manage.”

Andrew Cecil, managing director, chairman of the EMEA public affairs practice at Burson-Marsteller, said, “The EU has become much more political, as opposed to taking a technical approach to issues. And if you look across Europe, you have—let’s put it this way—a colorful set of political leaders and a significant disenchantment with the political class.”

Although populism, with its associated issues of protectionism, immigration restrictions, and anti-globalism, affects Europe’s political dialogue to the detriment of business, some government affairs leaders point to another rising factor that has diminished the voice of business interests in Brussels: non-governmental organizations (NGOs). Nikolaus Tacke, managing director of the Brussels office of Hering Schuppener Consulting, said the European Commission’s declared goal of reducing their strategic lead in certain policy fields has created a regulatory and policy vacuum in recent years that has been filled, to some degree, by NGOs. The European public health agenda, for example, is strongly influenced by health NGOs and regional committees of the World Health Organization, shaping EU and member states’ policies without the usual, well-established transparency mechanisms like public consultations and impact assessments. “This is challenging for businesses as it becomes harder to make their case in the dialogue,” Tacke said. “It is therefore more important than ever to have a very solid strategy based on facts and broader societal support.”

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Adrian Harris, director general of Orgalime, an association of European engineering companies, said the EU has encouraged so-called civil society advocacy groups to become part of the lobbying process and funds a number of NGOs. This has resulted in a multiplication of lobbying approaches. “We’ve seen a loss of clarity,” Harris said. “We need a fundamental change of attitude toward business and industry. There was a time when the [European] Commission preferred talking to companies directly. My strategy has been to save the Commission time and provide them with what they need in less time than they would need to get there by themselves.”

To navigate the changing practices and priorities of EU institutions, government affairs experts might need to apply *situational adaptability*, a competency that practitioners told the firm will grow in importance. They ranked it five points higher in terms of its relevance for the future than for today.

National capitals vital still.

Despite the increased importance of the EU over the last 25 years, national capitals still play a critical role, and it is vital for companies operating in Europe to be part of policy conversations at both levels of government. In the aviation industry, the national capitals are more powerful than in the EU on most matters, said Thomas Reynaert, managing director, Airlines for Europe. “We go to where we can change things, and we focus on issues that can keep the CEO awake at night, such as disruption caused by air traffic controller strikes,” Reynaert said. “We would like to have one central airspace controlled by a more central, efficient air traffic control system. In this matter, Brussels has limited power. Therefore, we also need to lobby the member states.”

When they must navigate different power centers, government affairs leaders may need to cultivate the management competency *plans and aligns*. This competency can be difficult to develop, but it is highly correlated to performance. Practitioners, however, told the firm that they perceived it to be of only medium importance. At the same time, for government affairs leaders, the competencies of *strategic mindset*, *business insight*, *global perspective*, and *ensuring accountability* are critical to formulating a cogent message that draws the attention of both external and internal stakeholders.

Internal challenges.

Government affairs executives serve as the face and voice of enterprises in dealing with officials and regulatory bodies, so practitioners understandably focus much of their attention and energy on communicating with external stakeholders. In doing so they may become dangerously separated from their organizations’ core business.

Just as they build coalitions and networks around issues, government affairs executives should seek to connect their activities with the business and, particularly, the business strategy of the organization, experts recommend. “Business strategy needs to include government affairs, otherwise a lot will be missed,” Rappagliosi said. In healthcare, he said, it is vital that the market and government payers are “in the driver’s seat of the business strategy.”

Government affairs executives, experts said, can do two things to integrate their activities more with the core business and to establish tighter communications with senior executives: First, and well in advance, they should identify for senior leaders the crucial issues that the business must confront; and second, they must set up meetings between their organizations’ senior executives and top government officials and regulators.

Reporting structures.

The government affairs function ideally would be connected with the business and the global head of government affairs and supported by the CEO, experts said. Laux from Novartis said, “I do not care if reporting lines are solid or dotted. I need to have relationships. I do not report to the CEO, but he calls me when he needs me, and I can do the same.”

Creating optimal reporting structures can be challenging. In some global organizations, government affairs experts’ report mostly to the enterprise’s president in a given country. This approach can create weaker, country-specific silos. “I heard some frustration from a person in Brussels that getting his people in Paris or Germany to do something was almost impossible,” IBM’s Benham said. “It’s eye-opening to see that big companies have allowed a total lack of coordination and linkage to develop.”

In other organizations, government affairs experts report, functionally, into a global or regional head of government affairs. While this approach facilitates coordination and unified messaging, the downside is that the specialists may become detached from the business. “Reporting to the business is extremely valuable,” Earnshaw said. “At the same time, reporting to a board member who has government affairs responsibility has the advantage that the person understands what government affairs is all about. Combining the two is the best way to do it.”

Government affairs experts’ skills—those they tap to influence regulators and lawmakers—can be similar to capacities needed in other posts to network and garner support internally. Cecil noted that in some organizations government affairs was included in the corporate affairs rather than legal function, and handled all external communications, except investor relations. “I have seen this happen in a number of companies,” Cecil said.

“Communications with outside stakeholders—media, government, non-governmental organizations—are coordinated through some type of corporate affairs or public affairs function,” Cecil added. “I think this resonates with the notion of mass communications.... Everything is so transparent today.”

In some organizations, government affairs reports into the general counsel, a structure that can create a focus on specific regulatory and legal issues but may constrain attention to the organization’s external reputation, Cecil said, adding, “Each approach has its pluses and minuses. If you are reporting into a communications function, you may not be focused enough on regulatory issues. And if you’re reporting into the general counsel, you may neglect corporate reputation.” For government affairs leaders, this reality underscores that the competency of *plans and aligns* is key for them as they strive to establish internal connections that support their positions and enhance their effectiveness.

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CEOs and boards.

Government affairs experts emphasized to Korn Ferry that a critical element in ensuring the success of their function relied on their development of a productive relationship with their organization's CEO. It is not good for any organization if government affairs disconnect from the business and communications grow strained. Government affairs leaders need the cooperation and support of the business unit to craft the right messages for important audiences. "The challenge is if there are not sufficient connections that we do not get these 'stories' we need to communicate about the enterprise," Danger said. "If government affairs does not have stories, they cannot deliver. And they do not get them if they do not have the ties with the business."

Establishing a "trusted advisor" relationship with the CEO helps to ensure that everyone in the enterprise understands that the government affairs function is mission-critical. It sends a powerful cultural message to the business units that cooperation with the government affairs office is necessary and important. To some degree, the government affairs leaders bear the burden of positioning and articulating issues in a manner relevant to the business, Cecil noted. "One of the greatest weaknesses in the profession is taking a policy issue or development and framing it in terms that a business leader can understand its importance," Cecil said. "You have to convey the level of information and detail they need and help them with their decision-making by providing a set of options."

CEOs differ considerably on how they want information presented, said Judith Hardt, managing director of the Swiss Finance Council, an advocacy group for Swiss financial institutions. "One chairman asks to have an intelligence report with a key summary, two pages maximum, for weekend reading," she said. "Another wants a monthly product written in a journalistic style and related to his business. We adapt."

In the banking industry, Hardt said, it is important to have the CEO's ear. "Regulation and supervision are key to the business," she said. "We need a level playing field. It's important to be coherent because we are in a global economy. We need to be close to the CEO and chairman. I would not accept reporting to a public policy person."

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Government affairs leaders can play a major role for their enterprises by setting up meetings between the CEO, board members, and influential politicians and regulators. Although these sessions typically allow the organization's leaders to detail their positions on key issues, the meetings can also help CEOs and corporate directors to better grasp the regulator's perspective. Government affairs leaders can put themselves in a good light by properly briefing their CEOs and board members in advance of key meetings. "I recall a president of European operations that was concerned about a health policy issue," Earnshaw said. "So we set up a meeting with a very junior official in Luxembourg. He was at a level that normally he wouldn't meet with such a junior official. However, it proved to be an extremely valuable meeting, and it changed the view of the president and the company about what the person was working on."

Government affairs specialists also can gain credibility and support from C-suite executives and board members with periodic presentations about current and developing regulatory and public policy issues. "Among other things, our CEO wants us to be the 'headlights' of the business," Benham said. "In many companies, executives are consumed with hitting monthly and quarterly business targets. The role of a function like government affairs is to alert the board to strategic issues coming down the road that are going to affect the company."

Typically, CEOs prefer executives who get things done despite barriers, who identify issues that will have a financial effect, and who can solve problems. For government affairs experts, developing a line of communication with the CEO requires both organizational savvy and courage, and it is well worth the effort. *Courage* is a quality that correlates with high levels of performance among senior leaders. Most of our survey respondents ranked it as a top-ten competency today, and many ranked it as a top-three competency for the future.

Social media in ascendancy.

The rise of social media presents enormous opportunities and risks for organizations, government affairs leaders emphasized. On the positive side, social media permits communicators to create highly targeted messages to precise audiences. On the negative side, it creates an unprecedented level of transparency and risk: Any individual associated with an organization can send a negative message that can go viral. “When I started in this business, it was rare for your employees to be a direct influence. Nowadays, with social media, it’s very easy,” Cecil said. “You have to be very transparent both in how you are lobbying and in your content. If you’re saying something that is not accurate or doesn’t reflect how your company operates, you will be found out—through your partners, through your employees, through your customers.”

Government affairs experts must master social media and its nuances, Earnshaw said, adding, “I recall seeing the president of a global company visiting Europe and being mentored by a twenty-something person on Tweeting. You shouldn’t be afraid of what I call ‘reverse-mentoring’ [younger colleagues instructing their more senior counterparts on trends and developments]. Government affairs people need to understand the risks and benefits of the digital world.”

In the new world heralded by social media, government affairs leaders may wish to develop their competencies of *nimble learning*, *innovation*, and *situational adaptability*. Current executives overall told Korn Ferry that their communication skills are strong and do not need improvement. But it’s likely that those responding were focused on traditional modes of communication rather than on new media.

Sector shifting.

Although European government affairs has become a complex and challenging endeavor for professionals in the field and the issues faced by different industries vary, a good deal of movement does occur among different business sectors by practitioners. This is partly because of the significant commonality in how different industries practice government affairs in Brussels. In the EU capital, the primary challenges a government affairs leader faces in transitioning to a new sector lie in mastering the nuances of industry-specific issues and adapting to the new organization and its culture. “I moved from one large American corporation to another large American corporation,” Benham said. “Many of the dynamics are similar, whether they are selling cars or doing IT services. If I had gone to work for a Japanese company, I’m sure that would have been a much bigger challenge than Ford to IBM.”

Industries vary in their approach to lobbying. Some are more tactical and oriented to the short term. Others try to take a longer view and build relationships with key regulatory bodies. The level of visibility on an issue varies too. “Some are low-key; others speak out,” said Danger. “Some do not want to be the forerunner of publicity as a sector. It depends on the visibility of the sector, the size of the teams doing government affairs, and the company priorities.”

Transitioning from Brussels to a regional capital or from one regional capital to another can be more challenging than changing industries. Each country brings its own set of political and regulatory institutions, influence makers, issues, and lobbying practices. “There is a level of commonality in Brussels that is not shared in the 28 national capitals,” Earnshaw noted. “Issues and styles differ across Europe. Not everyone is comfortable everywhere.”

For the government affairs executives who cross sectors, *nimble learning* and *situational adaptability* are key competencies. In cases when companies recruit leaders from other industries, they generally prefer candidates from sectors with strong traditions in government relations. The exception? The pharmaceutical industry. It is heavily regulated and requires highly specialized knowledge and experience.

Conclusion

Government affairs leaders in Europe will be challenged in the days ahead to help their organizations navigate through what may be extreme political and economic turbulence in Europe.

The future structure and effectiveness of the EU is deeply unsettled. If anti-globalist populism continues to gain momentum, the EU could suffer more defections, and the dream of a unified Europe, with a single market and uniform business regulations, may disappear. At the very least, the UK's withdrawal from the EU will generate major regulatory and legislative issues that will require skillful lobbying in a volatile and, at times, anti-business political climate. In light of the political and economic volatility, organizations will be evaluating their European operations. Government affairs experts will be expected to provide on-the-ground political intelligence to help inform important business decisions.

Demand for effective practitioners probably will translate into a robust job market as organizations seek to understand and influence European political and regulatory developments. To be more effective, government affairs leaders say, they believe they need to nurture a more strategic mindset, cultivate innovation, and develop more business insight.

Although these qualities may assist in the government affairs function, they are not the qualities viewed as most desirable among top corporate leaders. Government affairs executives who wish to grow as leaders and ascend to higher levels of responsibility would do well to develop qualities that correlate with high performance, such as managing complexity, nimble learning, and driving results.

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