



**2018 State & Local  
Government Relations** Conference

Strategies. Tactics. Connections. Impact.

## Showcasing Value and Demonstrating ROI

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September, 2018

# Who are we?

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**Measurement and analytics for management of  
Public and Government Affairs**

# Three essential components of best practice measurement

## Issue Management Portfolio

Business Unit	Issue Title (Illustrative)	Impact Low (\$M)	Impact High (\$M)	Cost or Revenue	Opportunity or Risk
Industrial	Allow our technology to be accepted for military use	125	175	Revenue	Opportunity
Consumer	Seek FDA approval for Agentent X	150	200	Revenue	Opportunity
Industrial	Competitor technology is shown to perform under by local governments	95	80	Revenue	Risk
Services	State licensing and tax provisions are enacted	35	40	Revenue	Risk
Total Revenue		375	495		
Industrial	Remove my requirement to regulated utility market	5	6	Cost	Opportunity
Industrial	Demolish provision X in EPA code	7	14	Cost	Opportunity
Consumer	Allow our technology to be accepted for pets	140	150	Cost	Opportunity
Consumer	Change x1 designates to be emergency service and transport	35	50	Cost	Opportunity
Industrial	Current requirement for labeling and reporting is required	30	40	Cost	Risk
Consumer	Import law on Product X is put in place	30	33	Cost	Risk
Services	Primary team lead customers to demand human quality check on step x	150	200	Cost	Risk
Total Cost		387	383		

## Four types of P&L Impact

Revenue Generated	Revenue Protected
Cost Saved	Cost Avoided



## Agreement from Finance

Best Practice Quantification

Ability to show value in executive's language

# Start with an issues list...

## ILLUSTRATIVE EXTRACT

Business Unit	Issue Title (Illustrative)	Impact Low (\$M)	Impact High (\$M)	Cost or Revenue	Opportunity or Risk
Industrial	Allow our technology to be accepted for military use	325	375	Revenue	Opportunity
Consumer	Seek FDA approval for ingredient x	150	200	Revenue	Opportunity
Industrial	Competitor technology is chosen as preferred vendor by local governments	65	80	Revenue	Risk
Services	State licensing and tax provisions are enacted	35	40	Revenue	Risk
	Total Revenue	575	695		
Industrial	Remove xyz requirement in regulated utility market	5	6	Cost	Opportunity
Industrial	Deregulate provision x in in EPA code	7	14	Cost	Opportunity
Consumer	Allow our technology to be accepted for pets	140	210	Cost	Opportunity
Consumer	Change xyz designation to be emergency service and transport	35	50	Cost	Opportunity
Industrial	Current requirement for labelling and reporting is expanded	20	40	Cost	Risk
Consumer	Import tax on Product X is put in place	30	33	Cost	Risk
Services	Privacy fears lead customers to demand human quality check on step x	150	230	Cost	Risk
	Total Cost	387	583		

**...categorize issues by potential impact – as opportunity or risk,  
and involving revenue or cost...**

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		Opportunity	Risk
Example Actions	Revenue	Pass new legislation that opens up a new market, e.g. new geography, new segment for existing product	Defeat a proposed law that would restrict the size of the market, e.g. due to proposed tariff, or eligibility restriction
	Cost	Pass legislation that eliminates a compliance cost, e.g. labeling, paperwork submission	Defeat a proposed new regulation that requires a higher threshold of compliance that forces costly alteration of operations

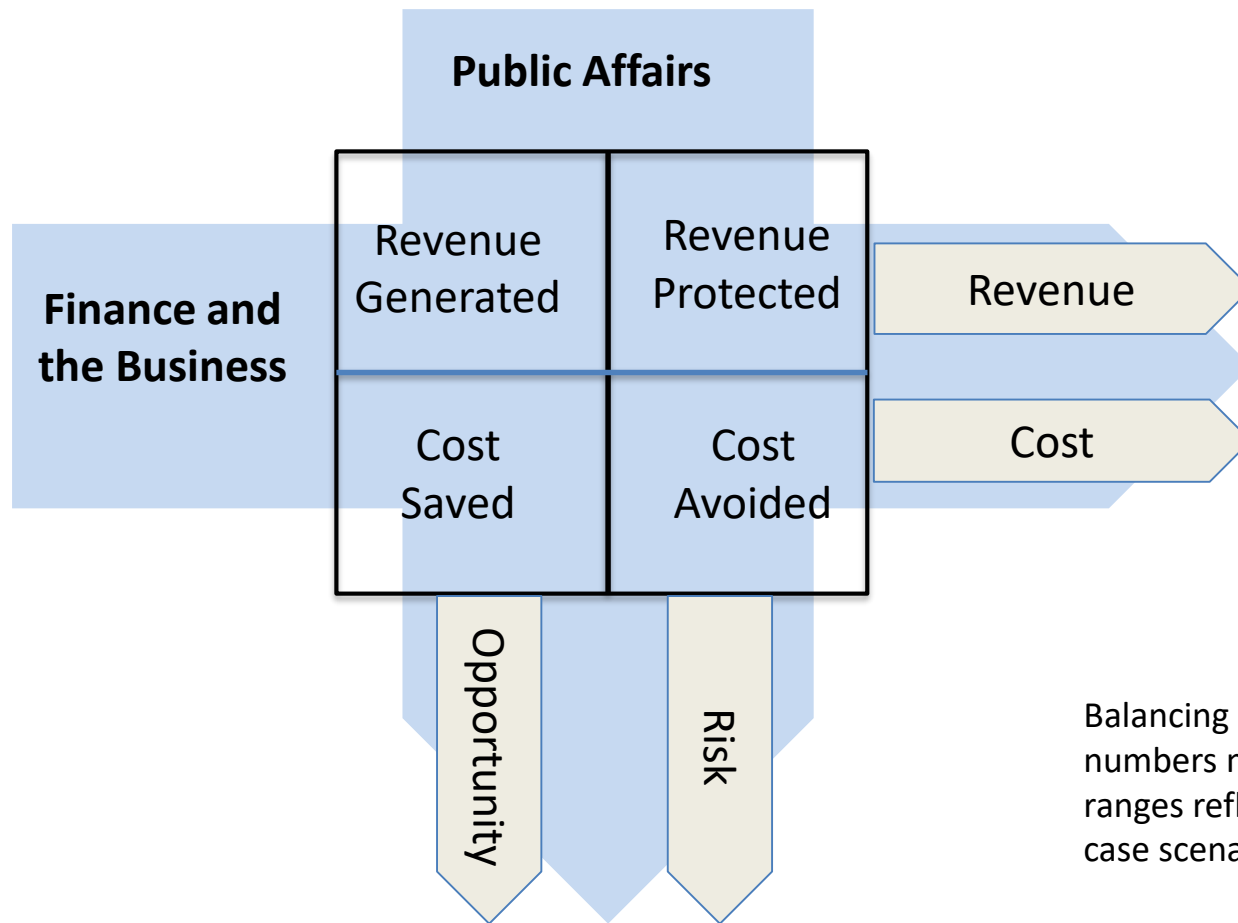
# ...which produces only four possible types of profit and loss (P&L) impact

<u>Finance</u> P&L Component	<u>Public Affairs</u>	
	Opportunity	Risk
Revenue	Revenue Generated	Revenue Protected
Cost	Cost Saved	Cost Avoided
Profit (or Loss)	The numbers above can be adjusted for margin on revenue and summed for total profit impact	

Ultimately, all issues have impact on one or all of these four categories

**This framework integrates the perspectives of both Finance and Public Affairs, and appeals to top executives even if imperfect**

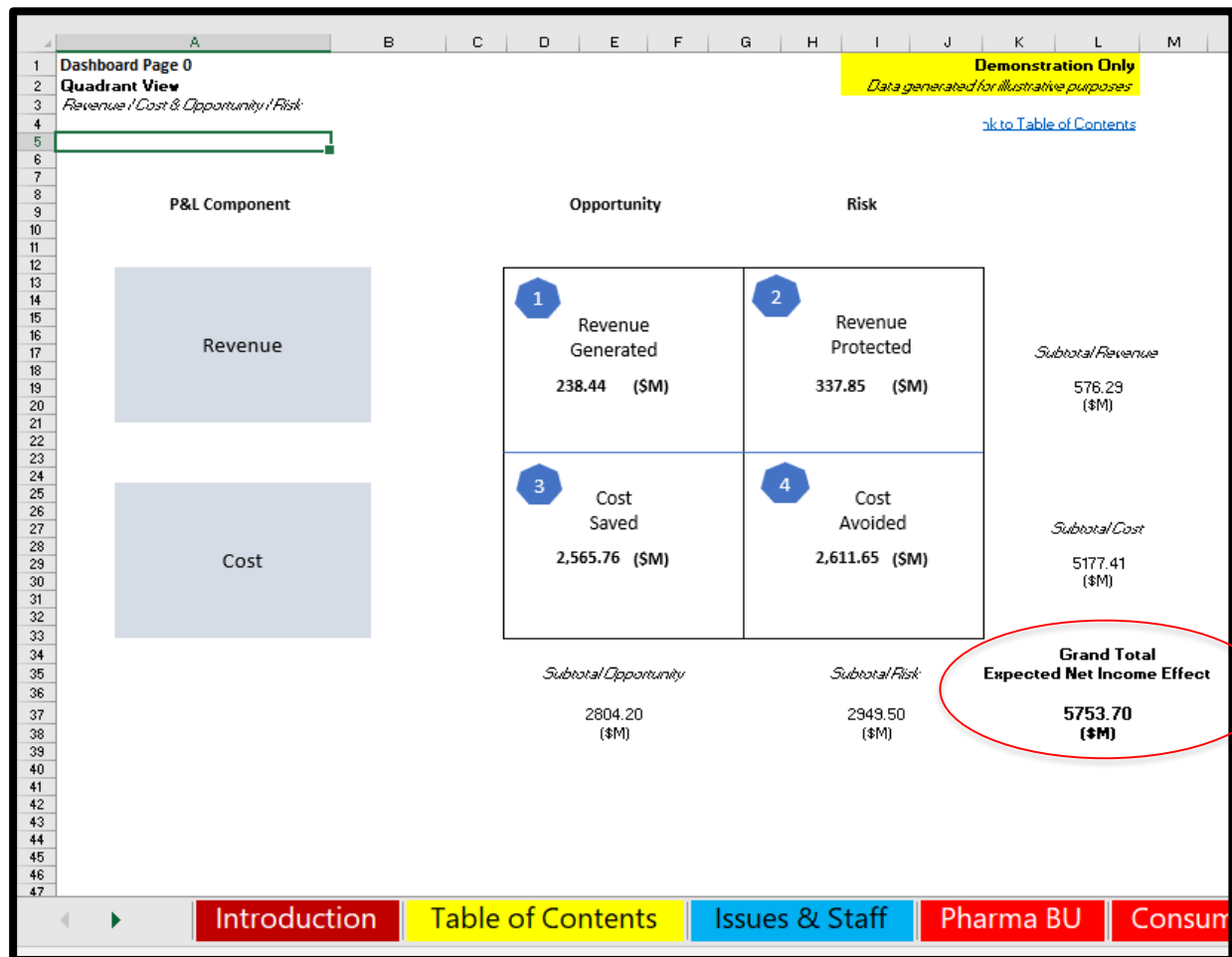
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Balancing uncertainty with hard numbers may work best by using ranges reflecting best and worst case scenarios

# Dashboard example: quantified P&L impact across the full portfolio of issues

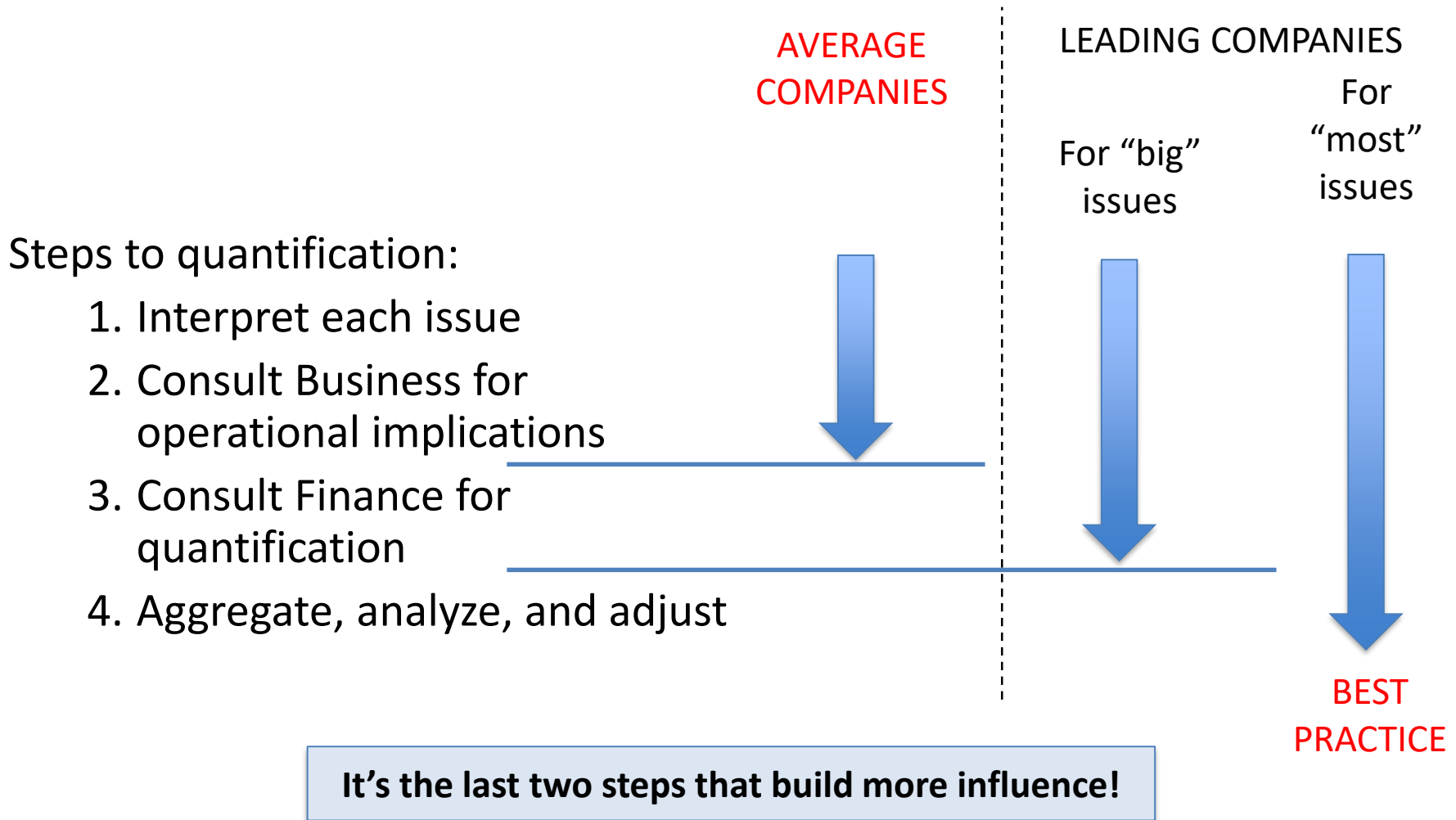
## PORTFOLIO VIEW WITH ILLUSTRATIVE DATA



Could be the basis for an annual Government or Public Affairs “Value Report” to the corporation



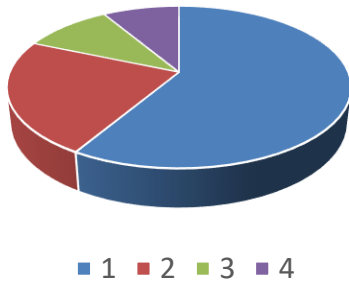
# Public Affairs quantification: stopping at the brink of success?



# Aggregating and analyzing the issue portfolio helps you allocate resources to deliver optimum value

*Total Value > Budget?*

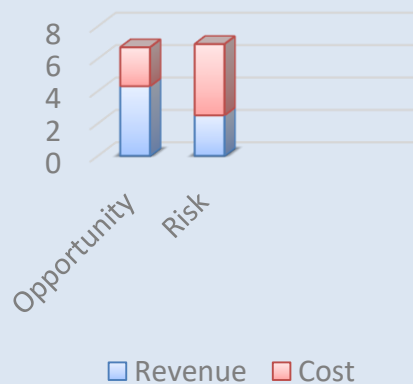
Value by Issue



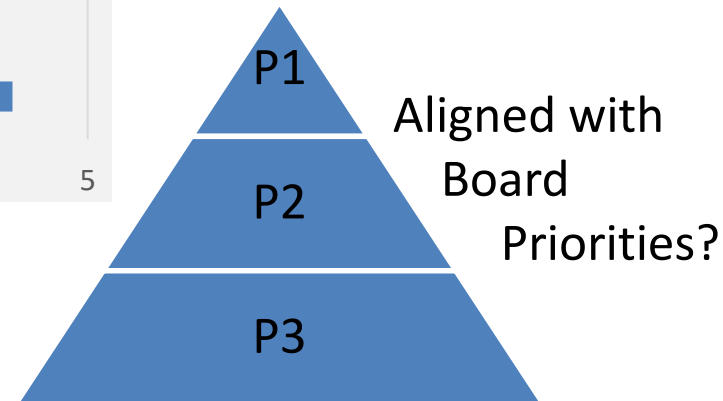
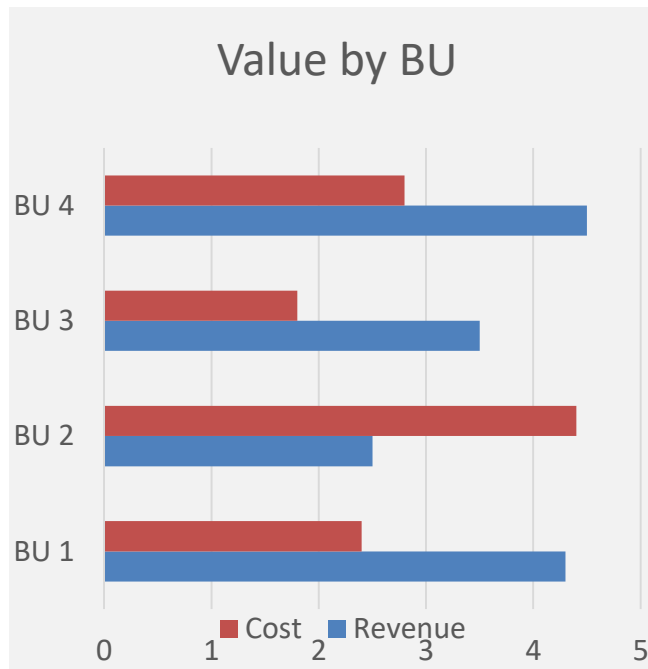
Value by State



Value by Source



Value by BU



# Illustrative pharma example across states

Expected Profit Impact of Proposed or New Regulations - Opportunity or (Risk) in \$M							
Type of Regulation	CA	NJ	NY	VT	TX	FL	Total
Price caps		\$ 3		\$ (5)		\$ (22)	\$ (24)
Reporting requirements	\$ (19)		\$ (78)		\$ (18)		\$ (115)
Efficacy requirements		\$ (7)					\$ (7)
PBM terms	\$ (18)			\$ (25)		\$ (33)	\$ (76)
Other	\$ 2	\$ (15)			\$ 6	\$ (22)	\$ (29)
Total	\$ (35)	\$ (19)	\$ (78)	\$ (30)	\$ (12)	\$ (77)	\$ (251)

Are your state resources appropriately allocated?  
Can you make the case for different/additional resources?

# Parting advice – get started now and continuously improve

**History shows us that persistence at measurement pays off!**

## Social Science



## Astronomy



## Medicine



# Public Affairs Council to release our joint best practice study

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## **The Art and Science of Public Affairs Measurement**

- Seven companies
- Viewed as well-managed
- Tools and tips

# Questions?

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Rick Ferraro

[rick.ferraro@ironpeakalliance.com](mailto:rick.ferraro@ironpeakalliance.com)

202-210-6486

Duncan Moss

[duncan.moss@ironpeakalliance.com](mailto:duncan.moss@ironpeakalliance.com)

703-930-3782