In the 19th Century, constituents would routinely wait in the lobby outside the U.S. Senate and House of Representatives to intercept Congressmen in order to influence them on particular policy issues. This practice not only created a new verb – to lobby – but also made lobbying a principal form of business-government relations. While the practice of deliberately swaying policy-makers is as old as time, the rise of what some call “the regulatory state” gives lobbying new meaning and new importance. Across the developed world, governments are relinquishing direct control over industries such as telecommunications, transportation, or utilities, and are opting instead for market competition overseen by regulatory watchdog agencies. At the same time, assertion of new governmental authority in areas such as health and safety, the environment, or data privacy has vastly expanded the amount of rules and regulations with which firms have to comply. Finally, the dismantling of formal barriers to international trade and investment, and the falling costs of global operations, has given regulation – and cross-national regulatory differences in particular – a critical role in international businesses. Regulation, in short, now occupies a central place among the factors that shape the business environment.

In many industries, as a result of these dynamics, the ability to influence public policy and to steer it into a favorable direction has become a critical determinant of business success. As a senior executive remarks about her business, “at every turn, the government affects our market opportunities.” Engaging policy-makers and the public policy process is thus of critical importance, not just for managers in heavily regulated industries. “Working to influence public policy may be one of the last things senior executives want to do,” the executive, “but it may be one of their most crucial tasks.”

Indeed, lobbying pays. While notoriously hard to measure, one study estimates that for any dollar spent on lobbying, the organization that lobbies receives between $11 and $36 in benefits. No matter what the actual number in a given context might be, the return-on-investment for lobbying seems to be considerable.

In this technical note on lobbying, we give a brief overview of what lobbying is, how it works, and explain why shaping the market environment through lobbying is not only smart management but increasingly also part of the democratic process.

1 Professor David Bach and Professor Gregory C. Urruh prepared this note based in part on conversations with Maria Rosa Rotondo and Javier Valiente of Political Intelligence, an international lobby consulting firm in Madrid (www.political-intelligence.com).


WHAT IS LOBBYING?

Lobbying, according to the Oxford English Dictionary, is “seeking to influence (a legislator).” The Association of Professional Political Consultants (APPC) — an industry association and self-regulatory body in the UK — similarly defines lobbying as “any action designed to influence the actions of the institutions of government.” Broad as this definition might be, actual lobbying is a very specific form of influencing policy-makers that is a far cry from folk tales about mysterious men handing over suitcases of cash in exchange for political favor. That latter practice is called bribery, is illegal, and has nothing to do with modern lobbying.

Lobbying, instead, is the “art of persuasion” — it consists of identifying issues of critical business concern, assembling crucial information, building stakeholder consensus, alerting policy-makers to a problem, and offering remedies. Information is central to the lobbying enterprise and John M. de Figueiredo, a leading scholar of lobbying and business political strategies, simply defines lobbying as “the manifestation of information transfer between interest groups and policy-makers.”

Lobbying, as noted above, is not a new idea. Businessmen, for instance, sought to influence kings and popes long before elected governments and professional regulators. The very term “lobbying,” as seen, has its origins in the Anglo-Saxon parliamentary tradition of previous centuries. Still, there is a sense that lobbying is something new in continental Europe. Much of that has to do with the different form lobbying has historical taken in Anglo-Saxon and continental European countries. Increasingly, however, the Anglo-Saxon form of lobbying is becoming common here as well.

In Anglo-Saxon countries such as the United States, lobbying often involves professional lobby firms that design and implement targeted lobby campaigns. Some of these firms are independent; others are part of law or public relations firms. They often team up with trade associations or even run such associations on behalf of companies. Through their services, lobbying has become a central tool of corporate strategy for U.S. businesses, particularly for the largest firms. “The exact scale of lobbying in Washington is hard to determine,” writes David Coen, “but most of the Fortune 500 list has some form of political representation. On specific issues, many more professional lobbyists ply their trade on behalf of firms.” Businesses, associations, lobby firms, law firms and others constitute the building blocks of “issue networks” that form to target pressure on policymakers to adopt a particular course of action. Lobbying is big business. By one estimate, U.S. businesses and other interest groups spent about $1.5 billion on lobbying in 2000.

While the idea of hiring independent professional lobby firms may be new to many European executives, the notion of organizing and mobilizing business interests to influence public policy is familiar on the continent as well. Powerful industry or employers’ associations have long weighed in on political debates on behalf of their members. Indeed, these associations are a central pillar of Europe’s model of “negotiated capitalism.” The difference between the traditional European model and its American counterpart is that European trade associations have rarely formed specifically to lobby on a particular issue. Lobbying is only part of what they do. In the United States, in contrast, many trade or industry organizations are set up specifically to provide an organizational hub for the advancement of a particular policy agenda and to anchor an issue network. Members are usually only loosely associated with one another and organizations frequently dissolve — whether because of success or failure.

European integration and the shift of policy-making authority from national capitals to Brussels is one of the reasons why Anglo-Saxon lobbying is becoming popular on the continent as well.

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5 See the APPC’s website at http://www.appc.org.uk.
8 de Figueiredo, “Lobbying and Information in Politics.”
American lobby firms have flocked to Brussels as EU bureaucrats' influence has grown. In fact, by 1997, 37 percent of corporate public affairs offices in Brussels were American, compared to 9 percent French and British respectively, 7 percent German, and 5 percent Japanese.\(^\text{10}\)

How many lobbyists there are in Brussels is hard to measure. Most current estimates put the number somewhere between 10,000 and 50,000. Only a small minority of these work for professional lobby firm, however. The big majority work for the over 600 trade associations and hundreds of NGOs, chambers of commerce, trade unions, and large multinationals that have set up offices in Brussels to monitor and influence EU policymaking. Impressive as these numbers are, current estimates put the number of lobbyists in Washington, DC about twice as high, somewhere between 20,000 and 100,000.

Apart from the growing importance of Brussels, a second reason for the spread of Anglo-Saxon lobbying in Europe has been the previously noted transformation of the role of governments in the economy: away from heavy-handed intervention or outright ownership and toward arms-length market regulation. The creation of new regulatory agencies in areas such as telecommunications, financial markets, and utilities, for example, has fundamentally changed regulatory dynamics. These agencies regularly solicit input from stakeholder firms before making policy decisions. Particularly in very dynamic areas such as telecommunications, industry frequently works with regulators to craft rules that are both feasible and sensible. Information transfer between business and policy-makers thus usually improves the quality of regulation. In contrast to previous times when industry representatives and policy-makers might have met behind closed doors, such consultations are increasingly public, transparent, and a matter of the general record. As their importance has increased, so has the role of professional lobbyists who specialize on managing such relationships.

WHY LOBBY?

Business environments are plentiful and so are the reasons for lobbying. But no matter what specifically a company may be lobbying for, the ultimate objective is always to improve business and particularly the business environment in which they operate. Consider the following reasons to engage in lobbying:

\(!\) To influence specific regulation. Regulators are often required by statute to seek input on new regulation from industry and other stakeholders. Such consultations provide great opportunities for business to tilt new rules and regulations in their favor, to consolidate regulation, or to convince regulators that certain rules are unduly burdensome.

\(!\) To avert harmful legislation. It is often easier to prevent new legislation that would unduly burden business than to have burdensome legislation removed. Seeking the initiative, offering an industry perspective to government officials and legislators, and making a strong case by presenting an alternative course of action to address the problem policy-makers are seeking to solve is usually money and time well spent.

\(!\) To influence government policy. Even in the absence of pending regulatory changes or new legislation, lobby campaigns can yield significant benefit. Commissioning studies, publicizing their results, and deliberating with policy-makers can soften up the ground to influence in the future. Lobbying can put an issue on the political agenda, the first step toward a more favorable business environment. Changing the direction of policy often takes years of meticulous work, but the payoff of success is usually substantial.

\(!\) To boost company profile. Even if a company fails to influence policy or regulation on a specific issue, having participated in a public consultation can boost the company’s image, put it on policy-makers’ radar screen, and help secure better terms in the future.

\(^{10}\) Coen, “The Impact of U.S. Lobbying Practice on the European Business-Government Relationship.”
To remain well-informed. Lobbying is impossible without a sound understanding of the issues and the policy-making process. In fact, monitoring policy activities and assessing their potential implications for business is a key service offered by lobbying firms. Such “early warning” helps businesses adjust to a changing business environment, even if efforts to alter the direction of policy change fail short.

To make allies. Lobbying is significantly more effective with allies. Lobbying policy-makers thus provides an opportunity to engage competitors, suppliers, customers, or other stakeholders and pursue objectives held in common within an industry.

The reasons to engage in lobbying of policy-makers are plentiful and so are the particular strategies and tools that comprise lobby campaigns. Clearly, there is a big difference between participating in formal consultation on new regulation and trying to place a new issue on the political agenda. Whom you lobby and how you lobby depends on the particular issue at stake.

WHOM TO LOBBY AND HOW TO LOBBY

Whom to lobby and how to lobby very much depends on the issue, the lobbying objective, and the political or regulatory context. Efforts to sway pending regulation into a particular direction, for example, are often structured by the administrative procedures of the regulatory agency. Otherwise, it is often a strategic decision whom to lobby. For instance, a new law being debated can be influenced at many different stages of the legislative process: the ministry that drafts it; other ministries that comment on it; the cabinet that endorses it; parliamentary committees that review it; parliamentary factions that vote on it; or regulators who implement it.

Likewise, an issue can be raised on different levels. Lobbying for a toughened fight against the sale of counterfeit goods, for example, can occur on the municipal level, the regional level, the national level, the level of the European Union, or at several levels simultaneously, depending on where the problem is perceived to be most acute and where efforts are most likely to pay off. There is also no reason to limit lobbying efforts to elected politicians. In the example of counterfeit goods, approaching police departments or working with community organizations might be just as effective—or even more so—than lobbying the government.

An additional critical distinction is whether to raise an issue on a narrow technical level or on a broader political level. Lobbying to have a medical product included in one product category rather than another, for example, is of a highly technical nature and usually unfolds directly between a company and administrators working for a regulatory agency. Changing the entire system of classification, in contrast, may necessitate legislative changes and has therefore a far more political character. Here, lobbying administrators will not do (though their endorsement and support could be crucial); instead, issue leaders in parliamentary groups and high-ranking ministerial officials are the most promising target.

No matter where lobbying pressure is applied, it is unlikely to be effective if companies simply voice opposition or seek to register a complaint. This is true across different types of lobby efforts. When seeking to influence administrative rule-making, for example, companies will be more likely to see their concerns addressed if they propose alternative standards, procedures, or measures that square their interest with the broader goals the regulation seeks to secure. Likewise, simply telling local officials that the police needs to crack down harder on the sale of counterfeit goods is less likely to be effective than offering help in identifying particular trouble spots, providing guides to distinguish authentic goods from fakes, and working with local officials to secure more funding for such efforts.

Lobbying is always about the transfer of information between interest groups and policy-makers. The basket of lobby tools thus encompasses virtually all means of getting information out and getting information to the intended recipients. Some of the most common tools include:
Op-ed articles in major newspapers or magazines. Opinion editorial articles are a very good way to raise awareness of an issue, lay out a position, and chart a course of action. No op-ed piece alone is likely to swing a policy debate one way or the other, but they are very often helpful as part of a broader campaign. In light of the quick turn-around time (generally a day or two), op-eds are particularly useful to quickly intervene or respond to sudden developments in ongoing debates.

Letters. An official letter to a minister or high-ranking official can help get their attention on a particular topic, particularly when co-signed by several companies or stakeholders. Letters alone, just like op-eds, are unlikely to yield a major policy change, but they are useful to make an initial contact, entice interest, solicit a meeting, transmit the results of a study, or follow-up after an event.

Briefing Papers. Short papers that explain and frame an issue, lay out industry’s position, and support it with relevant data are often essential for successful lobbying campaign. Composing such a paper forces a clear articulation of lobby objectives and the central message. Co-authoring it with other industry stakeholders serves to craft consensus and augments its potential impact. Most importantly, such papers provide critical background information for policy-makers and can provide an ideal basis for subsequent face-to-face discussion.

Press Conferences. Directly speaking to the press is a key lobbying tool. It does not substitute for others, however. Politicians rarely like to first hear about an issue through the news. Press conferences are most effective when they are associated with the publication of a study, a major decision, or an event that generates attention.

Public Forums. Public gatherings such as a trade show or an industry convention are good opportunities to rally allies and present a coherent message to policy-makers. Media coverage of such events also makes it more likely that the message gets out.

Parliamentary Questions. The ability to officially raise an issue in parliament and receive the government’s response is an essential pillar of accountable government in a representative democracy. Planting such questions through parliamentary groups or official petition processes is thus an essential tool to table an issue or oblige government officials to clarify a particular policy.

Personal Meetings. Nothing in the end substitutes for personal meetings with key decision-makers and opinion leaders. Such meetings can be one-on-one or involve small delegations from both industry and the government. They usually occur after briefing papers have laid a foundation for discussion.

The lobbying toolkit, in short, encompasses just about any form of transmitting information. Successful lobby campaigns combine several of these tools as the issue and political context demands. It is hard to generalize which strategy or which combination of tools will yield success. Nevertheless, there are some general principles that apply across a whole range of lobbying efforts.

TEN STEPS FOR DEVELOPING A LOBBYING STRATEGY

Each lobby campaign is different – remember that lobbying is an art, not a science! But developing and implementing a successful lobby campaign still requires a certain sequence of steps. Their relative importance is likely to vary from case to case, but each successful campaign will in one way or another include these steps:

1. **Have Realistic Objectives.** Setting out to eliminate all regulation in an industry, is unrealistic. Tweaking rules to make them work in one’s favor is a more feasible goal. If a government is
determined to enact some legislation, even the best lobby campaign is unlikely to prevent it. Instead, it is often more futile to influence the process, negotiating exemptions, injecting greater flexibility, or obtaining long transition times. Politics is a game of give and take. As Bismarck famously remarked, “Politics is the art of the possible.”

2. **Ensure Timely Intelligence.** Lobbying is all about information and having the most up-to-date information is a critical asset. Just waiting for the news media to report on an issue is often not enough. Monitoring important websites and calling officials to get an early warning on critical developments is key.

3. **Gather Allies.** Joining up with others that have a stake in the issues is a key to success. Few governments will be swayed by just a single company. Once they perceive an issue as one of greater concern, favorable action becomes more likely. Allies can be competitors, suppliers, consumers or anybody else involved in the industry. But they can also come from other parts of the government or civil society. The Ministry of Economics can be a critical ally to moderate the impact of costly new environmental regulation proposed by the Ministry of the Environment, for example. Likewise, winning an endorsement from a key environmental group for an alternative, less intrusive remedy could go a long way.

4. **Build Consensus.** Allies are of course only a strategic asset when there is a fair amount of consensus within the alliance. Otherwise, they can be a drag. Particularly when it comes to lobbying jointly with formal competitors, crafting consensus is critical. Many times, a series of meetings is necessary to articulate a unified position. Jointly drafting a briefing paper might be laborious and demanding but the payoff from the perception of a unified and coherent industry position should not be underestimated.

5. **Target your Audience.** In light of the complexities of policy-making and regulatory processes, targeting efforts is very important. A target audience can range from specific officials administrating a policy to the entire public at large. There are usually many points of intervention and influence in a policy-making process and carefully selecting where to focus pressure is more effective that broadly spraying the canvass with information.

6. **Plan your Message.** Having the right message (or messages) for the issue, the audience, and the context is perhaps the most important aspect of a lobby campaign. Messages must be clear and consistent. When addressing officials in the Ministry of Economics about proposed environmental regulation, a focus on industry competitiveness, trade, and jobs is usually more effective than elaborating on the technical difficulties of complying with the new rule – a message that would be more appropriate with experts in the Ministry of the Environment. Placing a message in a larger political or economic context often helps. While it can be useful if allies – such as competing companies – separately address policy-makers and opinion leaders, they must ensure that their messages are coordinated, compatible, and that they reinforce one another.

7. **Time your Message.** Just like many executives, policy-makers and opinion leaders receive a vast amount of information that can at times be overwhelming. Carefully timing and placing a message is thus key. Associating release of the message with an event – a trade show, the presentation of a study, a government summit – is often a good idea. The media in particular is more likely to pick up and carry your message (provided you want it carried through public channels of course) if other events have already focused attention on an issue.

8. **Ask for what you need, not what you want.** There is a finite amount of political capital in the world and there are real opportunity costs to raising too many issues or demanding too much at once.

9. **Provide Solutions.** Simply opposing an existing or proposed legislation is unlikely to yield success. Even when it succeeds, there is the additional uncertainty of what will take its place.
A much more productive and thus more promising strategy is to offer an alternative solution. Policy-makers have to address the issue one way or another, and helping them find a solution that squares business interests with broader public objectives is often a winning strategy.

10. **Be prepared to do the work for your contacts.** The previous point about providing policy-makers with solutions applies even more generally: the burden of compiling and presenting information, reaching out to other stakeholders, building consensus, and managing public relations falls on the firm or industry that lobbies. Particularly when lobbying means intervening in an ongoing policy or regulatory process, policy-makers expect that those who lobby do the work.

**THE ROLE OF PROFESSIONAL LOBBY FIRMS**

As noted above, the growing importance of formal regulation and the rise of Brussels as a key point of influence has fostered the spread of Anglo-Saxon-style professional lobby firms in Europe. To be clear, nothing said so far about lobbying implies that companies have to hire professional lobby firms. Any company could follow the guidelines sketched above and design a lobby campaign without outside help. In fact, many of the largest corporation and especially multinationals have sizeable public affairs departments that monitor developments, gather intelligence, engage in public debate, and prepare and execute lobby campaigns.

On the one hand, professional lobby firms fall in the same category as public relations firms, advertising agencies, or firms offering information and communications services. All of these are professional service firms who offer their services as substitutes for or complements to in-house efforts. Just like executives have to decide whether to hire an outside marketing firm or IT provider, they must determine whether lobbying is best done with in-house resources or whether such services are best contracted in the marketplace.

On the other hand, however, the dynamics of lobbying award independent lobbying firms a special role in business-government relations. First, lobbying often occurs sporadically — to avert the effects of newly proposed legislation or to win favorable regulatory treatment for a new product — and most firms probably do not need permanent lobbying experts. A common strategy is thus to hire lobby firms for the purpose of monitoring and to shift additional in-house resources into lobbying only when an issue comes up. Second, lobby firms are in the business of developing and maintaining contacts with policy-makers and opinion leaders, a key ingredient for any lobby campaign. Third, the importance of contacts, specific knowledge, and political context implies that lobbying is difficult to do from afar. Particularly when a company lobbies outside its home market, professional lobbyists on the ground can lend a decisive edge. Finally, lobby firms often provide a neutral ground that permits formal competitors to temporarily team up and press for change.

In short, companies need to decide for themselves whether or not they wish to design and carry out a lobby campaign with their own resources or whether to seek outside help. The company's resources and experience, its familiarity with political and regulatory processes, and the extent of its local contacts are as important in such decisions as the character of the policy issue at stake and the particular lobby effort that is envisioned.

**LOBBYING AND ETHICS**

Ethical behavior is central to business operations and lobbying is most certainly no exception. Given that lobbying is an attempt to deliberately influence policy-making to improve business environments, however, it is perhaps logical that concerns about ethics are more pertinent here than in other aspects of business. So let us consider the issue of lobbying and ethics both in a narrow and in a broad sense, investigating first ethical demands on professional lobbyists and secondly lobbying as a form of corporate influence on politics more generally.
Professional lobbyists, like consultants, accountants, lawyers, and other external advisors, are bound on the one side by their relationship with their clients and on the other side by rules governing their profession. Lobbyists work for clients. Clients decide whether to take on a particular legislative issue and they are the ones who primarily need to confront the ethical dimension of embarking on a lobbying campaign. Just like lawyers frequently represent clients whose actions they may not approve of, professional lobbyists may personally not agree with a position sought by their client and still give their best effort. There are of course firm boundaries. No respectable lobbyists would lobby on behalf of something illegal. Whereas influencing legislators and ministry officials, for example, is perfectly legitimate, lobbying judges is out of the question. Lobbyists must also be wary of conflicts of interests and cannot represent two sides in the same policy debate. While professional lobbying is so far not formally regulated in Spain and several other European countries, lobbyists are bound by a self-regulatory code of conduct. In this code, lobbyists commit to the highest standards of integrity, to act in an ethical manner, to be fully honest in all relations with clients and institutions, to conduct relations with policy-makers in an open and transparent fashion, and to abide by all parliamentary and governmental rules for the acquisition and distribution of official documents and information. Furthermore, the code prohibits lobbying consultants to serve in public elected office and bans all financial relationships between lobbyists and policy-makers.\textsuperscript{11}

While high ethical standards for professional lobbyists are certainly reassuring, some may still feel uneasy about the idea of business activities deliberately aimed at influencing public policy-making. We thus turn to the second, broader issue surrounding lobbying and ethics and briefly examine the place of lobbying in democratic societies. One perspective is that business already has considerable influence on governments and regulatory institutions and that professional experts trained to target and enhance such influence do a disservice to democracy. On the other hand, formal lobbying is generally associated with vastly enhanced transparency and openness, two democratic ideals not exhibited by most conventional influence peddling. Particularly lobbying to influence formal regulatory proceedings initiated by regulatory agencies greatly augments transparency in business-government relations. Agencies publicly solicit industry input and companies’ responses become part of the public record, accessible to all. The same is true for public hearings, advisory panels, and expert commissions.

Indeed, to the extent that lobbying involves the transfer of critical information about the business environment from industry to policy-makers, lobbying is an essential pillar of good economic governance. Companies and their managers have first-hand knowledge of what the market situation is, which policies work, and which do not. Clearly they have their own agendas. But frequently, their input in the policy-making process significantly enhances the quality of regulation. This is particularly true in very dynamic and rapidly changing industries such as biotechnology or telecommunications. Here, regulators often do not know how to best achieve public objectives as they deal with the dual threats of ineffective and overly burdensome regulation. Industry input is essential to ensure public objectives can be met in a way that amplifies the opportunities provided by new technologies and new ways of doing business, rather than in ways that stifles them.

The job of policy-makers and elected officials is ultimately to balance competing interests. In pluralistic, democratic societies, specific business interests have to be weighed against the interests of consumers, competitors, and other industries, and have to be squared with the broader common good. There are clearly legitimate concerns whether professional lobbying can give one set of interests a decisive edge over others. Particularly when lobbying and electoral politics become entangled, this danger is real. Overall though, the spread of Anglo-Saxon professional lobbying does not fundamentally alter this situation. Indeed, professional lobbying formalizes and institutionalizes business input into policy-making and thus frequently enhances transparency and openness. As regulation exerts an ever-more important influence on domestic and increasingly also international business environments, lobbying is certain to become an essential tool for a growing number of managers.\textsuperscript{11}

\textsuperscript{11} See the code of conduct at http://www.appc.org.uk.