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Critical thinking at the critical time™

THE CEO AS STATESMAN

To keep investors happy and protect their own interests, companies and CEOs will need to play a more active role in policy and regulatory debates.

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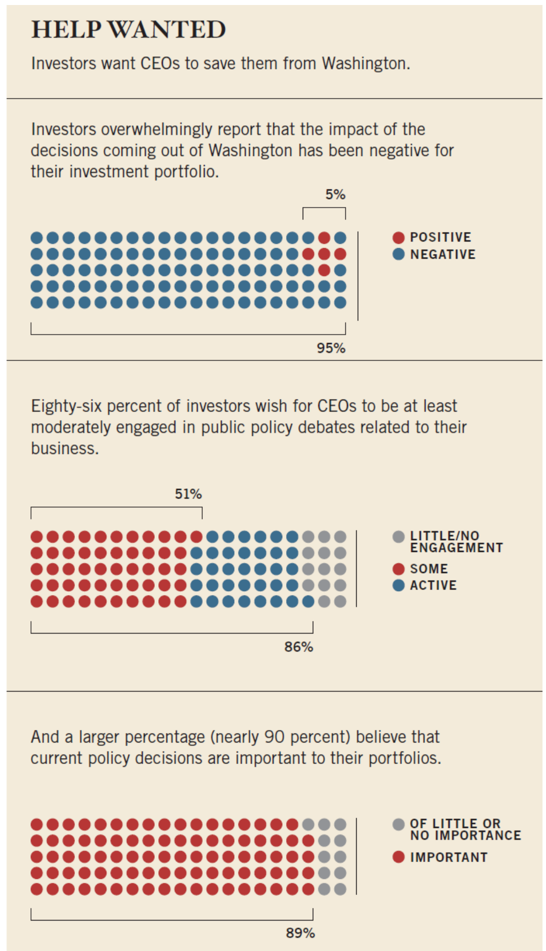
Many corporate leaders are alarmed by the U.S. government's increased oversight of and intrusion into business in response to the Great Recession. They see new and significant regulation over many industries, uncertainty over environmental and tax policies, and changes to the bankruptcy process. Many executives believe these initiatives make planning difficult, impede future growth and restrain an already fragile economic recovery.

An FTI Consulting study carried out in December 2011 shows that U.S. investors are concerned as well. According to the study, institutional investors overwhelmingly believe that decisions made in Washington, D.C., have a significant negative impact on the value of their portfolios. And by more than a three-to-one margin, investors want companies to do a better job of informing them about the potential impact of policy changes on their business.

With enterprise value at risk from the uncertainty created in Washington, D.C., some 85 percent of the participants in the study feel that CEOs must proactively engage with policymakers to help shape policies and regulations and protect shareholder value. Those respondents were four times more likely to view active CEO engagement as a positive than as a negative. Furthermore, investors are calling for CEOs to use their leadership platform to get involved, educate investors about ongoing efforts, and become more actively and personally engaged in shaping national objectives and policies.



The message from the FTI Consulting research is that analysts and investors not only give their permission for CEOs to engage in the political process — these groups mandate it.

But many executives choose to focus on running the business and stay out of Washington. They view D.C. as somehow impenetrable and sometimes inhospitable. However, this is not necessarily so.

Previous FTI Consulting research has affirmed that the American people no longer trust government, business or the media. A leadership vacuum has been created, and people are looking for new leaders who are willing to put aside narrow interests and contribute to broader solutions that address the nation's real and significant challenges. A recent independent study by the *National Journal* found that a strong reputation built on respect and integrity is central to a firm's ability to influence policy debates.

Transferring a corporate reputation into a credible and relevant policy platform requires a strategic civic engagement plan that complements and reinforces current government and investor relations messaging. It includes thought leadership, executive positioning and political engagement.

The plan should support existing positive narratives about the company and its involvement in policymaking.

With more than 4,000 think tanks and policy centers inside the Beltway, Washington still is a place where ideas matter. FTI Consulting believes that companies can have influence there if they advocate for good public policy, as well as for their own interests.

Informing investors of policy risks and the company's response requires a balancing act.

For example, investors were worried that a major industrial company would be unfairly compromised by new rules and regulations coming from Washington. Some of the company's top executives felt the company should publicly repudiate the regulatory agency. Instead, the CEO and senior-level executives worked with the agency in question to find common ground. The company's strategy included thought leadership, enlisting public support, and developing relationships and networks that led to policy consensus and helped the agency see the unintended consequences of previous policy positions. This assisted in building a better regulatory blueprint for economic growth. Through regular speeches and briefings to investors, the executive team was able to demonstrate how working productively with the government benefited the company and the industry.

Developing a "CEO as statesman" platform helps position executives above the partisan fray as policy leaders and broad advocates for industry. It allows them to engage on many levels through multiple channels. Civic engagement may include attending and sponsoring conferences with leading non-governmental organization policy centers to issue white papers and research; using public forums to articulate policy concerns and solutions; and lobbying members and staff of the U.S. Congress, as well as relevant state/local/foreign governmental entities.

ILLUSTRATION BY OLIVER MUNDAY

Now that the Supreme Court's Citizens United decision provides more flexibility for companies to engage in the political process, businesses have more channels to advocate their public policy positions. However, the decision also complicates things. Calls for companies to disclose their spending on lobbying and political campaigns are gaining support, and many shareholders also are asking for transparency and a say in how lobbying dollars are spent.

Informing investors of policy risks and the company's response requires a balancing act. Companies need to talk about the risks, but they should keep the discussion high-level. An overly complex or detailed explanation of policy scenarios actually may unsettle investors rather than reassure them. Most important is to communicate that the company has anticipated policy decisions and already has taken steps to proactively manage the risk. A well-executed civic engagement program gives a company credibility and relevance, as well as access to policymakers and opinion leaders needed in these uncertain times. This is a winning strategy to shape policy consensus; meet the concerns of investors; and, ultimately, protect and enhance enterprise value.

Research Methodology

The Strategic Communications practice of FTI Consulting conducted its *CEO as Statesman* survey online from Dec. 9 through Dec. 19 of 2011. The survey sample consisted of 260 American investors (analysts and portfolio managers) from 228 different firms. The total equity of assets managed by the represented firms was $2.6 trillion, with an average equity of $11.3 billion and a median equity of $677.1 million. The sample was generated from Ipreo by screening for U.S. portfolio managers and analysts.

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About FTI Consulting

FTI Consulting, Inc. is a global business advisory firm dedicated to helping organizations protect and enhance enterprise value in an increasingly complex legal, regulatory and economic environment. With more than 3,800 employees located in 24 countries, FTI Consulting professionals work closely with clients to anticipate, illuminate and overcome complex business challenges in areas such as investigations, litigation, mergers and acquisitions, regulatory issues, reputation management, strategic communications and restructuring. The company generated $1.56 billion in revenues during fiscal year 2011. More information can be found at www.fticonsulting.com.