

# Public affairs perceptions and practices: a ten-year (1993–2003) comparison

Julius H. Johnson, Jr.<sup>1\*</sup> and Martin B. Meznar<sup>2</sup>

<sup>1</sup> University of Missouri-Saint Louis, USA

<sup>2</sup> Arizona State University West, USA

- *The past ten years have been marked by significant changes in technology, politics and economics. These changes have affected the social and regulatory environments in which public affairs (PA) officers operate. This paper describes how PA officers at 74 large US corporations perceive these environmental changes and how PA activities have changed from ten years ago.*
- *The data reported in this paper were collected first in 1993, then again in 2003. The results show a rather even split between respondents: half (39) believe that their political/regulatory environment is simpler today than was the case ten years ago, half (33) believe that it has become more complicated; half (35) believe there is less social interest in their operations and half (32) believe there is more. The paper then examines the changes in PA activities and performance over the past ten years.*
- *Overall, PA officers are more pleased with their performance (at least in managing social issues and achieving social objectives) than they were in 1993.*

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## Introduction

Over the past decade, the world economy has become increasingly integrated and interdependent and the relationship between business and society has become more complex. Moreover, the driving forces of the globalization of business, the emergence of advocacy groups in the USA and other nations, changes in government regulations and international agreements have significantly affected the responsibilities of managers as they interact

with their social and political environment. Recent changes in the competitive landscape of most firms (at least in part due to scandals such as those associated with Enron, WorldCom and Arthur Andersen) have once again focused attention on issues of business responsibility and how managers craft strategies to manage organizational legitimacy for their firms.

The organizational function charged with spanning the boundary between the firm and its external sociopolitical environment is the public affairs (PA) function. As Post *et al.* (1982) put it: '...the essential role of the public affairs unit appears to be that of a *window out* of the corporation through which management can perceive, monitor, and understand external change, and simultaneously,

\*Correspondence to: Julius H. Johnson, Jr., Ph.D., Strategic Management and International Business, College of Business Administration, University of Missouri-Saint Louis, One University Boulevard, Saint Louis, Missouri 63121-4499. Tel: +1 314 516 5309. Fax: +1 314 516 6109. E-mail: johnson@umsl.edu

a window in through which society can influence corporate policy and practice'. The two main functions of the PA unit (Post, 1982) are community relations and government relations. Organizational theory posits that as the environment changes, so do the activities and structure of boundary spanning units (Miles, 1980; Fennel and Alexander, 1987). The environmental changes which have occurred over the past decade have led to changes in the way the PA function is executed (e.g., Doh, 1999; Blumentritt, 2003).

Ten years ago, Meznar and Nigh (1995) reported the results of a major study of the PA function, as practised in 110 large, publicly held US corporations. In the past year, we have gone back to those same organizations in an effort to examine how the perception and practices of their PA units have changed. The framework established by Meznar and Nigh has influenced PA research over the past decade. Based on previous work in the field (Pfeffer and Salancik, 1978; Carroll, 1979; Miles, 1980; Almubarak, 1982; Fennel and Alexander, 1987), they divided corporate PA activities into 'buffering activities' (activities intended to establish or modify the terms of the social contract between business and society) and 'bridging activities' (activities intended to bring the firm into compliance with the changing expectations of social and political stakeholders). They found that the complexity and turbulence in a firm's environments—as well as a variety of organizational characteristics (such as size/power, diversification and top management values)—helped to explain whether a firm would engage in buffering and/or bridging activities. Meznar and Nigh (1995) concluded that: 'to the extent that a firm's legitimacy depends on carrying out the PA activities appropriate in a particular context, understanding how best to match those activities, organizational characteristics, and the firm's environment is vital to long-

(Blumentritt, 2003; Robins, Tallman and Fladmore-Lindquist, 2002) and PA structure (Griffin and Dunn, 2004), and applied to corporate reputation studies (e.g. Zyglidopoulos, 2001).

Adopting Meznar and Nigh's buffering and bridging framework, we have gone back to the same organizations examined by Meznar and Nigh (1995) to examine how the perception and practices of their PA units have changed. In the decade since Meznar and Nigh collected their data, several firms in their original sample have ceased to exist, merged, changed their names or gone through some other significant change in their identity. After considerable research, we were able to identify PA officers at 74 of Meznar and Nigh's original firms who were willing to respond to our questionnaire by mail or by follow-up telephone interviews. In our questionnaire, we repeated many of the questions in Meznar and Nigh's original questionnaire. This study compares and contrasts the responses from these firms ten years ago with their responses today. We begin with an analysis of the changes in the regulatory environment, changes in the social environment, changes in PA activities and changes in PA responses to the external environment. We conclude with a discussion of the implications, limitations and directions for future research related to our findings.

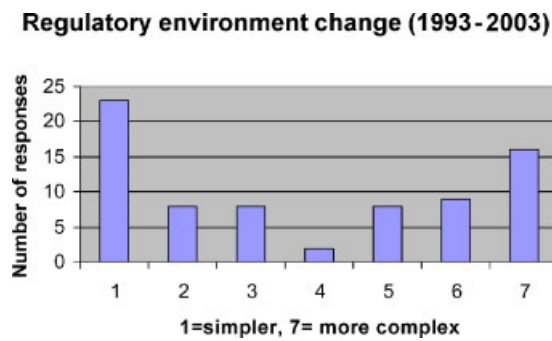
### *Changes in the regulatory environment*

In the 2003 questionnaire, we asked top PA officers at each of the firms to assess changes in their political/regulatory environment over the past ten years. This question was structured as follows. '1' indicates strong agreement with the statement on the left, '7' indicates strong agreement with the statement on the right (unless otherwise noted):

In the past ten years our regulatory environment has become simpler	1	2	3	4	5	6	7	In the past ten years our regulatory environment has become more complicated
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term viability'. Since then, their work has been extended to international PA activities

The distribution of responses is depicted in **Figure 1**.



**Figure 1.** Regulatory environmental change (1993-2003).

The response was bimodal. Only two out of the 74 firms took the middle-of-the-road approach (choosing item #4—which would indicate that the regulatory environment was pretty much the same today as it was ten years ago). The vast majority of the firms believed that their regulatory environment had changed

determine the reasons for these different perceptions across the respondents.

### *Changes in the social environment*

We also asked the PA officers about their impression of changes in their firms' social environment. Our purpose was to investigate whether most firms felt that they were facing more or less social scrutiny than in the past. The question about changes in the firms' social environment was structured similarly to the one about changes in the regulatory environment (above). Respondents were asked to select the number (on a seven-point scale) that best represented the change in the level of interest in the firm's activities on the part of social stakeholders. The questionnaire item is reproduced below:

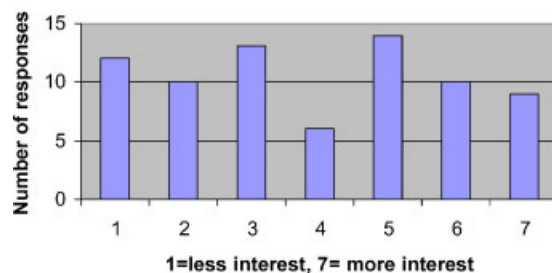
Over the past ten years fewer and fewer groups have taken an interest in social issues surrounding our firm's activities	1    2    3    4    5    6    7	Over the past ten years more and more groups have taken an interest in social issues surrounding our firm's activities
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significantly, although they were evenly split in whether that environment had become simpler or more complex. There are several possible explanations for this difference in perspectives. It is likely that over the past ten years some industries have seen a significant increase in the complexity and number of regulations they face, while other industries have experienced greater deregulation. The data suggest that, overall, there has not been a strong move toward either deregulation or increased regulation across the board. Respondents are somewhat evenly split in the way they perceive the changes in their regulatory environment over the past ten years. Another possible explanation for the differences in respondent perspectives may be that respondents with a significant amount of PA experience perceive the complexity of their regulatory environment as declining as their understanding of the environment increases over time. PA managers with less experience or shorter tenure may perceive their regulatory environment as highly (and increasingly) complex. Additional research is needed to

The distribution of responses to this question is depicted in **Figure 2**.

Few respondents believed that their social environment remained the same as it was ten years ago. The least common response is #4 (which would indicate little change in the nature of the firms' social environment). Thirty-two respondents felt that they faced increased interest on the part of social stakeholders, while thirty-five respondents felt that social stakeholders were less interested in their activities now than they were ten years ago.

### **Social environment interest change(1993-2003)**



**Figure 2.** Social environment interest change (1993-2003).

Given the somewhat balanced division in the manner in which the firms in our sample reported changes in their social and political environments, we decided to examine further differences between these groups of firms.

### *The regulatory environment*

In 1993, Meznar and Nigh asked managers to indicate the level of complexity in their regulatory environment by responding to the following three questionnaire items:

We face a low level of regulation	1	2	3	4	5	6	7	We face high levels of regulation
We deal with few regulatory agencies	1	2	3	4	5	6	7	We deal with many regulatory agencies
Regulator requirements affect a small part of our activities	1	2	3	4	5	6	7	Regulatory requirements affect a large part of our activities

We asked current PA managers in the same firms to respond (in 2003) to the same questions. We then combined the three items into a regulatory complexity scale ( $\alpha = 0.93$  for the scale in Meznar and Nigh,  $\alpha = 0.93$  for the scale in the current study).

We reasoned that the regulatory complexity score should have been higher in 1993 than in 2003 for firms which indicated that the regulatory environment had become simpler in the past ten years. Conversely, those firms whose regulatory environment was perceived as becoming more complex (see Figure 1) should have had lower scores on the regulatory complexity scale in 1993 than in 2003. With this in mind, we split our respondents into two groups: those who perceived the regulatory environment as becoming more complex ( $n = 31$ ) and those who perceived the regulatory environment as becoming

simpler ( $n = 38$ ). We then calculated the average regulatory complexity score for firms in each group in 1993 and then in 2003. This calculation yielded the four regulatory complexity scores listed in **Table 1**. We then compared the differences between the two groups in their 1993 and 2003 scores.

Our expectation held true for firms that perceived the regulatory environment as becoming simpler. Their regulatory complexity scores for 2003 were significantly lower than the scores in the 1993 study.

For firms which indicated that the regulatory environment had become more complex over the past ten years, the results of our analysis were less convincing. Indeed, the complexity score in 2003 was higher than in the 1993 study for this group. However, the increase in the complexity score was relatively small and not statistically significant.

The results reported in Table 1 appear to suggest that, overall, the regulatory environment has become less complex over the past ten years (that is, it remained the same for firms which perceived it as becoming more complex, while truly becoming simpler in the case of those firms that claimed that it had become simpler). In order to confirm (or deny) this impression, we compared the regulatory complexity scores for all firms in the sample between 1993 and 2003 and found a significant

**Table 1.** Perceived changes in the regulatory environment

Groups	1993 Mean regulatory complexity score	2003 Mean regulatory complexity score	Mean difference	Standard deviation	t	Significance
Firms stating that the regulatory environment has become simpler ( $n = 38$ )	5.9211	4.7456	1.1754	1.3836	5.237	0.000
Firms stating that the regulatory environment has become more complex ( $n = 31$ )	5.3333	5.6352	-0.3118	1.7447	-0.995	0.328

**Table 2.** Perceived changes in the regulatory environment (entire sample)

	1993 Mean regulatory complexity score	2003 Mean regulatory complexity score	Mean difference	Standard deviation	t	Significance
Entire sample	5.6526	5.1408	0.5117	1.691	2.550	0.013

reduction in the perceived complexity of the regulatory environment (as reported in **Table 2**).

Indeed, it appears that, overall, when comparing regulatory complexity scores for the firms in our sample, the regulatory environment is perceived as less complex today than it was ten years ago.

### *The social environment*

In the same way that we compared changes in perception concerning a firm's regulatory environment, we set out to explore changes in PA officers' perceptions of the social environment in which they operate. Mezner and Nigh's (1993) questionnaire contained one item used to assess the nature of the firms' social environment (we call it the social interest score):

We face low levels of social interest in our operations	1	2	3	4	5	6	7	We face high levels of social interest in our operations
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We asked current PA managers in the same firms to respond to this question (as of 2003). As with regulatory complexity, we reasoned

that the firms which had indicated that social interest in their operations had increased over the past ten years (see Figure 2) would have had lower social interest scores in 1993 than in 2003. Conversely, firms which indicated that social interest in their operations had declined over the past ten years would have had higher social interest scores in 1993 than in 2003. With this in mind, we again split our respondents into two groups: those who perceived the social environment as being more interested in the firms' operations today than ten years ago ( $n = 32$ ) and those perceiving the social environment as being less interested in the firms' operations today than ten years ago ( $n = 34$ ). We then compared differences in the social interest scores for each group between the two time periods (1993 and 2003). **Table 3** summarizes the analysis.

Interestingly, the results in Table 3 parallel those from Table 1. Our expectation held true for firms which perceived social interest as

**Table 3.** Perceived changes in the social environment

Groups	1993 Mean social interest score	2003 Mean social interest score	Mean difference	Standard deviation	t	Significance
Firms stating that the social environment has become less interested ( $n = 34$ )	5.29	2.62	2.68	2.293	6.807	0.000
Firms stating that the social environment has become more interested ( $n = 32$ )	4.91	5.31	-0.41	2.212	1.039	0.307

**Table 4.** Perceived changes in the social environment (entire sample)

	1993 Mean social interest score	2003 Mean social interest score	Mean difference	Standard deviation	t	Significance
Entire sample	5.03	3.90	1.13	2.74	3.481	0.001

having declined in the past ten years. The average social interest score was significantly lower for 2003 than it was for 1993. The average social interest scores for firms claiming an increase of the past ten years was moderately higher in 2003 than in 1993, but not sufficiently different to be statistically significant. Based on these results, one could perhaps make the case that the social environment appears to have become less interested in firms' operations (at least, based on the perceptions of PA officers) over the past ten years. In order to confirm (or deny) this impression, we compared the social interest scores for all of the firms in the sample between the 1993 data and the 2003 data and found a significant reduction in perceived social interest in the firms' operations, as reported in **Table 4**.

Indeed, it appears that (at least as far as the perceptions of PA officers in our study are concerned) social interest in firms' operations has declined from where it was ten years ago.

### ***Changes in PA activities***

Next, we investigated whether there has been a significant change in the use of specific PA activities (or tactics) over the past ten years. Using five-point scale questions (ranging from 1 = not active to 5 = very active), Meznar and Nigh (1995) examined the extent to which firms used a variety of tactics in seeking to attain their PA objectives. The tactics (and questions they used) are listed below:

- Use of lobbyists: *How active is your firm in using lobbyists to represent your firm's interests with national governments?*
- Contributions to political action committees (PACs): *How active is your firm in making*

*contributions to PACs (or their equivalents)?*

- Coordinated lobbying efforts with other interest groups: *How active is your firm in coordinating your lobbying efforts with those of other interest groups?*
- Use of trade associations: *How active is your firm in using trade association(s) to exert influence on legislative/regulator processes?*
- Use of advocacy advertising: *How active is your firm in engaging in advocacy advertising to defend your firm's economic or social point of view?*
- Use of public relations campaigns: *How active is your firm in using public relations campaigns (e.g., press releases, meetings with community organizations) to promote your company's position on social issues?*

In our effort to assess whether the use of these common PA tactics had changed over the past ten years, we went back to the firms in the Meznar and Nigh (1995) sample and asked them about their current participation in these same activities (using the same questions and scale used ten years ago). Our findings are summarized in **Table 5**.

It is interesting to note in Table 5 that the mean score on *all six* of the PA activities examined was higher than the scores for ten years ago. Only the use of one activity went up significantly, however, and that was the use of public relations campaigns. Using trade associations still seems to be the most widely used method of forwarding a firm's sociopolitical agenda (at least for the firms in our sample). Advocacy advertising was the least utilized public affairs tool ten years ago, and it is still the least used today. Overall, however, we must conclude that there have been few changes (in the sample as a whole) in the firms' PA activities.

**Table 5.** Changing PA activities

Activity	1993 Mean score	2003 Mean score	Mean difference	t	Significance
Lobbying (n = 72)	3.24	3.38	-0.14	-0.701	0.486
PAC contributions (n = 72)	2.94	3.21	-0.26	-1.439	0.155
Coordinated lobbying (n = 71)	3.65	3.89	-0.24	-1.306	0.196
Trade associations (n = 72)	4.01	4.25	-0.24	-1.442	0.154
Advocacy advertising (n = 71)	1.75	1.96	-0.21	-1.150	0.254
Public relations (n = 72)	2.31	2.92	-0.61	-3.177	0.002

### ***Changes in PA responses to the external environment***

Next, we investigated whether firms have altered the specific tactics they use to address social and political stakeholder issues. Specific PA activities effective in managing external social and political stakeholders ten years ago may be more or less effective today. Firms may have changed their mix of PA activities in response to changes in their firm's external environment or due to internal changes (e.g., organizational learning, changing technologies, etc.). The data gathered by Mezner and Nigh (1995) indicated that there were specific associations between perceived complexity in the social and political environments and use of particular PA activities (as demonstrated in **Table 6**). That is, lobbying and advocacy advertising were strongly associated with

regulatory complexity. Lobbying, advocacy advertising and public relations campaigns were the activities significantly associated with social environments where there was a high level of interest in the firm's activities. The strength of these associations were derived based on linear regression of the 1993 data using regulatory complexity and social interest as the independent variables determining the level of each of the PA activities.

The lack of significant associations between other PA activities and environmental conditions does not mean the other PA activities were not commonly used. It simply means those activities were not *directly* associated with either regulatory complexity or social interest. **Table 7** depicts the correspondent associations in our 2003 data.

Today, it would appear that lobbying is less closely associated with regulatory complexity

**Table 6.** PA activities and the sociopolitical environment, 1993

Independent variable: Regulatory complexity	Adjusted R <sup>2</sup>	Standardized coefficient	t	Significance
Lobbying	0.047	0.246	2.112	0.038*
PAC contributions	0.007	0.083	0.692	0.491
Coordinated lobbying	0.010	0.072	0.592	0.556
Trade associations	0.008	0.150	1.258	0.213
Advocacy advertising	0.028	0.204	1.727	0.089*
Public relations	0.001	0.124	1.040	0.302
Independent variable: Social interest	Adjusted R <sup>2</sup>	Standardized coefficient	t	Significance
Lobbying	0.062	0.274	2.385	0.020*
PAC contributions	0.002	0.128	1.076	0.286
Coordinated lobbying	0.005	0.098	0.819	0.416
Trade associations	0.014	0.166	1.412	0.162
Advocacy advertising	0.068	0.286	2.479	0.016*
Public relations	0.054	0.259	2.245	0.028*

\* $p < 0.10$

**Table 7.** PA Activities and the sociopolitical environment, 2003

Independent variable: Regulatory complexity	Adjusted R <sup>2</sup>	Standardized coefficient	t	Significance
Lobbying	0.018	0.177	1.523	0.132
PAC contributions	0.007	0.145	1.245	0.217
Coordinated lobbying	0.011	0.050	0.425	0.672
Trade associations	0.003	0.128	1.096	0.277
Advocacy advertising	0.058	0.267	2.351	0.021*
Public relations	0.029	0.205	1.774	0.080*
Independent variable: Social Interest	Adjusted R <sup>2</sup>	Standardized coefficient	t	Significance
Lobbying	0.014	0.013	0.109	0.913
PAC contributions	0.014	0.003	0.027	0.979
Coordinated lobbying	0.011	-0.049	-0.419	0.677
Trade associations	0.014	-0.004	-0.037	0.971
Advocacy advertising	0.000	0.118	1.007	0.317
Public relations	0.006	-0.088	-0.750	0.455

\* $p < 0.10$ .

or social interest than was the case in 1993. Perhaps lobbying has become a more 'generic' PA tool, not associated directly with regulatory complexity or social interest. Firms continue to rely on advocacy advertising in dealing with regulatory issues, but it seems to have become less linked with managing social issues. Public relations campaigns now seem to be more a result of regulatory issues than of social interest in the firm's operations. Overall, the 2003 study found that none of the traditional PA activities are strongly associated with *social* stakeholder interest in the firm. It may be that these traditional tools of PA officers have been replaced with new approaches to deal with the increased scrutiny by social stakeholders. Perhaps new activities (such as collaboration with non-governmental organizations or community service) need to be examined as alternative approaches that PA departments are now using to manage social stakeholder relations. It may also be that events over the past few years (terrorism and war, for example) have occupied the attention of US society in such a way that has reduced social interest in corporate activities (at least temporarily). This reduced interest (at least partially confirmed by the results in Table 4) may also explain why the corporate PA activities (in Table 7) no longer show a strong association with the level of social interest in the corporate activities.

### ***PA performance***

To this point, we have examined how PA officers perceive changes in the sociopolitical environment and the degree to which the use of specific PA activities has changed since 1993. The last issue we address in this paper is whether PA officers feel they are doing a better job today than they were doing in 1993. As we noted at the beginning of the paper, PA officers are primarily responsible for managing the firm's relationship with political stakeholders and with social stakeholders. We consider performance in each of these two areas (dealing with political issues and dealing with social issues) below.

### ***Performance in managing the political environment***

If, as the results reported in Table 2 suggest, the political environment facing the firms in our sample has become less complex, we would expect the boundary spanners in our firms to find it easier to manage. That is, PA performance in the realm of regulatory issues should have improved in comparison with the 1993 data.

Meznar and Nigh (1995) used two measures to assess how well PA officers felt their firms were performing in regard to political/



**Table 8.** Political performance

Measures	1993 Mean	2003 Mean	Mean difference	Standard deviation	t	Significance
Compared with other firms (n = 72)	3.68	3.88	-0.19	1.328	-1.242	0.218
Percentage of political objective achieved (n = 69)	59.86	64.06	-4.20	24.579	-1.420	0.160

regulatory issues. Those two measures are listed below:

job in managing the boundary between the organization and society. That is, PA perfor-

Compared with other firms, how effective do you feel your firm is in handling overall government relations management?

Poorer than average					Average					Better than average				
1		2		3		4		5						
In the past three years, to what extent do you feel your firm has achieved its <i>political</i> objectives?														
(circle approximate percentage)														
0%	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%				

We repeated the two measures in our study to see whether PA officers scored themselves as performing better or worse than they did ten years ago. The results of the comparison are included in **Table 8**.

The results summarized in Table 8 show that while PA officers tend to score themselves more favourably today than they did in 1993 (in

mance in the realm of managing social issues should have improved in comparison with the 1993 data.

As with the regulatory environment, Mezner and Nigh (1995) used two measures to assess how well PA officers felt their firms were performing in regard to social issues. These two measures are listed below.

Compared with other firms, how effective do you feel your firm is in handling overall social issues management?

Poorer than average										Average										Better than average																																			
1										2										3										4										5															
In the past three years, to what extent do you feel your firm has achieved its <i>social</i> objectives?																																																							
(circle approximate percentage)																																																							
0%						10%					20%					30%					40%					50%					60%					70%					80%					90%					100%				

terms of successfully managing their political environment), the better scores are not statistically different from the 1993 scores. The performance measures seem to be fairly consistent over time.

### ***Performance in managing the social environment***

If, as the results reported in Table 4 suggest, social stakeholders are less interested in the firms' operations today than they were in 1993, we would expect PA officers to have an easier

Once again, we repeated the two measures in our study to see whether PA officers scored themselves as performing better or worse than they did ten years ago. The results of the comparison are included in **Table 9**.

Interestingly, there appears to have been significant improvement in the way that PA officers believe they are handling social issues. The results summarized in Table 9 show that PA officers tend to score themselves more favourably today than in 1993 (in terms of successfully managing their social environment) and the better scores are statistically

**Table 9.** Social performance

Measures	1993 Mean	2003 Mean	Mean difference	Standard deviation	t	Significance
Compared with other firms (n = 71)	3.21	3.55	-0.34	1.362	-2.091	0.040
Percentage of social objective achieved (n = 68)	55.74	64.26	-8.53	29.436	-2.389	0.020

significantly different (at least at the  $p < 0.05$  level) from the 1993 scores.

### Conclusion

The purpose of this study was to reexamine the data gathered by Meznar and Nigh (1995) and determine the manner in which PA activities and perceptions have changed over the past decade. To be more specific, we were interested in three areas of enquiry: whether firms felt they were facing more or less social and political scrutiny than in the past; whether there had been significant changes in the use of specific PA activities (lobbying, PACs, etc.) and whether firms had changed the activities they used to deal with different characteristics of their sociopolitical environment. The preliminary data analysis reported here, based entirely on the self-reported perceptions of PA officers, offers some interesting insights and calls for future research. For example, is it indeed true that US firms today face a less complex regulatory environment and less social scrutiny than they have in the past? External measures need to be used to test whether these perceptions are accurate; if they are, then research is needed to explain what has caused these environmental changes. Why are social stakeholders less interested in corporate activities? Is it because the gap between social expectations and corporate practices has been narrowed (Post, 1978; Mahon and Waddock, 1992), or has society's attention been grabbed by other, more riveting, issues?

While the study suggests that, overall, firms may face less complex regulatory environments, certainly the level of regulations varies from industry to industry. This current study sheds no light on what has transpired in

specific industries. It would be useful to know which industries have faced the largest regulatory changes and ascertain the industry-specific responses of the PA departments of firms in those industries.

This study looks at two isolated points in time: 1993 and 2003. It is impossible to determine (from these two points) whether the results of the study reflect a trend or are simply a function of idiosyncratic characteristics of these particular points in time. For example, since this study is a replication of a study of US firms, is the perception of a simpler regulatory environment due to having a Republican in the White House in 2003 compared with a Democrat in 1993? Additional replications of certain aspects of this study will be necessary before we can answer such questions.

Clearly, the data reported in this paper raise many questions. This paper describes and compares data—it does not explain the findings. However, in the similarities and differences between the perceptions of PA officers in 1993 and in 2003 we may be able to detect an association that will lead us to a better understanding of how firms can manage their boundary with society more effectively. Fleisher (2001, 2002) discusses how the PA function is changing in the face of a changing environment. This study confirms this change and provides empirical evidence of its nature.

According to our data, PA officers today seem to believe that they are doing a better job of managing social issues and of achieving their firm's social objectives. Whether or not this perception is correct depends largely on whether society feels the same way—a question to be answered by future research.

### Biographical notes

**Julius H. Johnson, Jr.** is an Associate Professor of Strategic Management and International Business at the University of Missouri-Saint Louis. He earned his Ph.D. at The George Washington University. His current research focuses on international public affairs, the content of international strategy and the strategic management of multinational corporations.

**Martin Meznar** is an Associate Professor at Arizona State University in Phoenix. His research interests include corporate social responsibility and public affairs management in multinational corporations. His work has been published in a variety of outlets including the *Academy of Management Journal*, *Business & Society*, the *Journal of International Management*, and the *Journal of Public Affairs*.

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