

The Emerging Field of GR-Management in Modern Russia: State of Science and Profession

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Abstract

Today, a large business will aim to actively affect processes of forming and implementing public policies connected with economic management and allocation of community resources. To ensure the opportunity of such systemic influence on policymaking, corporations promote their interests through systems of regulated relations and links with State bodies. The article presents this way of furthering corporate interests as 'Government Relations' (GR) and the conceptual interpretation of this phenomenon. Being relatively new for Russia but becoming increasingly popular in the scientific-and-expert community, GR is still undergoing the process of conceptualisation. In the professional dimension, this realm is a specific type of management activity, a special cross-sectoral management aimed at the cooperation of a business entity (and non-government actors) with the State, which is located where the three sectors of society cross (the State, business, and non-political organisations). Insights to the existing organisational forms of GR activity in Russia, such as GR departments in companies, consulting firms, and business associations are provided. The article also analyses the relevance and prospects of the research of the Government Relations theme for the Republic of Cyprus.

Keywords: government relations, Government Relations (GR), GR-management, interactions with the State, lobbying, business interest, advocacy, public affairs

Introduction

Changes which the political and economic landscape has been undergoing in the recent decades have had a significant influence on the relations between the business and social sector with the Russian Federation. Under the influence of democratisation and informatisation, as well as technological development, borders between

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society and the State have not only started to blur but also the very system of managing their interaction has begun to change. The development of market relations and the rapid involvement of new social and economic actors in the political processes have made it necessary for business interests and non-governmental organisations to create new opportunities and technologies to manage interaction with public bodies, which are now actively discussed but still require to be researched by the scientific community.² It is important to note that, despite active expansion of non-governmental participation in public affairs, the State has maintained its position as the key regulator of social political relations, which has a dominant influence on the activity of business actors on its territory in the first place. According to McKinsey & Company research, more than half of the managers of international corporations (53%) claim that, in the influence on an organisation's economic position, State stakeholders take second place to consumers.³

Eventually, the emergence of GR⁴ as a new realm of practical activity has become the answer to the growing necessity of ensuring the dialogue with public regulators in the new circumstances. Since the mid-20th century, relations of profit and non-profit organisations with the State, as the most important stakeholder of an organisation, have started to be perfected and institutionalised, and their implementation has become the prerogative of specialists (GR managers and GR consultants) working for companies and consulting agencies.

The development of this form of representation and protection of commercial interests for more than four decades resulted in the institutionalisation of the GR-category in the terminology of theorists and practitioners of modern management (along with the notions of PR, PA, HR, IR,⁵ which were established there earlier), which is determined by a number of circumstances. On the one hand, a relatively new sphere of professional activity of a GR specialist and the very professions of a GR manager and a GR consultant have appeared. On the other hand, during the last three decades the new discipline of GR management has been formed in the interdisciplinary space of a number of social sciences (political science, manage-

² T.A. Alekseeva, I.D. Loshkariov, and D.A. Parenkov, (2018) 'Is It Time for Lottery-Based Authorities?' *Polis. Political Studies*, No 6 [in Russian].

³ McKinsey & Company, (2011) 'Managing government relations for the future', in *McKinsey Global Survey results*, available at <https://www.mckinsey.com/industries/public-sector/our-insights/managing-government-relations-for-the-future-mckinsey-global-survey-results>.

⁴ Academic literature also refers to government affairs (GA) or public affairs (PA).

⁵ PR – public relations; PA – public affairs; HR – human resources; IR – investor relations.

ment, legal science, communication studies, etc.). The new discipline appeared at the confluence of problems of public administration, corporate management, private association, and non-governmental organisation management.⁶ Modern GR management is now included in the wider practical discipline of political management,⁷ along with electoral management (election technologies), political-strategic PR, and public affairs management, often defined as ‘integrated communications management’,⁸ which is closely connected with the means of developing the so-called ‘corporate public policy’.⁹

In the West, mainly in the US and the EU, scientific and practical GR studies have been carried out since the mid-20th century, while in Russia this subject is relatively new, as it was formed in the late 1990s and early 2000s. Today, due to the active research on relations with the State, made by Russian experts, theorists, and practitioners, a wide range of specialised works has appeared providing an overview of the establishment of this discipline in the Russian Federation. Thus, this article aims to analyse the field of Government Relations in the works of Russian experts, as well as to scrutinise the peculiarities and main forms of GR functioning at the modern stage. At the end of the article the prospect of developing GR studies for the Republic of Cyprus is also analysed.

Theoretical and Methodological Aspects and Modern Interpretations of Government Relations

Representation of GR as a multidisciplinary research subject of social and political science and management analysis is the basic prerequisite to the analysis of links with the State.¹⁰ It invites different interpretations of Government Relations in spe-

⁶ A.V. Pavroz, (2005) ‘Government Relations as Institute of Social and Political Interaction’, *Political Expertise: POLITEX*, Vol. 1, No. 2; T.A. Kulakova, (2005) ‘Government Relations in Political Decision-Making Process’, *Political Expertise: POLITEX*, Vol. 1, No. 2; A.V. Zobnin, (2012) ‘GR-management at a New Stage of Development’, *Journal of Social and Humanitarian Research*, No. 2 [in Russian].

⁷ F. Harsanyi and G. Allen, ‘Achieving the Strategic Potential of Public Affairs’, in *The SAGE Handbook of International Corporate and Public Affairs* (London: SAGE, 2017).

⁸ J.T. Greitens and E.M. Joaquin, (2010) ‘Policy Typology and Performance Measurement’, *Public Performance and Management Review*, Vol. 33, No. 4.

⁹ L.V. Smorgunov, (2016) ‘Interaction Between State and Business in Russia: From Lobbying to Corporate Public Policy’, *Journal of Science and Education: Economics, Entrepreneurship, Law and Governance*, No. 4 [in Russian].

¹⁰ A.A. Degtyarev, ‘Modern GR-Management as Sphere of Cross-sector management’, in *Subject Field of Political Economy*, eds. L. Il’icheva and V. Komarovskiy (Moscow: Aspect Press, 2018) 170-180 [in Russian].

cialised literature, which complicates the operationalisation of the phenomenon. For a more precise description of GR links, it is important to isolate this realm from several disciplines which have a similar subject. Hereinafter, the research will focus on the specific characteristics of Government Relations.

Conceptually, in the process of analysis of the whole range of relations between the State and non-State (primarily business) sectors, four large subject areas can be distinguished:¹¹

- Studies of systemic aspects regarding the relations between business and the State;
- Economic political science;
- Corporate social responsibility;
- Government Relations and lobbying;

Systemic aspects of relations between business and the State are understood as general issues of cooperation between public bodies and the business community, forming a specific sphere of inter-subject interaction, which is an integral part of a country's political system. In other words, it is a wide area, taking into consideration historical features of the formation of such relations, the socio-cultural aspect, political culture, peculiarities of elite formation, principles of functioning of business associations, etc. This area can be illustrated by the research of State-business relations in Russia during the 1990s and 2000s.¹²

Economic political science, in its turn, is regarded as a sub-discipline of political science. A.D. Bogaturov defines it as, 'the area of political science which is directly connected with studies of issues of business political security provision, measures of political risk prevention, as well as working out an optimal strategy of business action towards society and the State in political situations in all countries including its own one'.¹³ Despite the fact that economic political science studies specific issues overlapping with GR, this area is less technologically oriented and more focused on studying fundamental political and economic issues, such as the legal basis of

¹¹ A. Degtev, (2016) 'Russian political science analysis of government-business relations in Russia', *Political Science Journal*, No. 2 [in Russian].

¹² V.Y. Fokin, (2009) 'Business and Politics in Russia: Peculiar Interrelationships', *International Trends*, Vol. 7, No. 20 [in Russian].

¹³ A.D. Bogaturov, (2011) 'Definition of Political Economy and Particularities of Its Problem Field in Russia', *Polis. Political Studies*, No. 4 [in Russian].

doing business in a country, social perception of the role of business, and problems of foreign investments in the territory of a State.¹⁴

Corporate social responsibility is an area close to management and is generally defined as a socially oriented business activity which is often voluntary.¹⁵ Nevertheless, the political aspect of this activity becomes significant if corporate social responsibility is regarded as a tool for positioning business in the eyes of the public and State authorities. Today, businesses, especially large companies, are actively involved in implementing social projects, which attract the State's attention. It especially concerns regions and major cities where industrial enterprises exert significant influence in determining local growth vectors. Today, this field includes several principles forming the framework of a company's socially oriented business activity vis-à-vis the State, e.g. corporate citizenship,¹⁶ sustainable development and business ethics.

Despite having some similarities with the above-mentioned disciplines, Government Relations is identified by the expert community as specific organised interaction between State and non-State sectors, which has its own methodology, aims, and technologies.¹⁷ Today, Russian political and management science is studying this phenomenon to comprehend and conceptualise it. This phenomenon is relatively under investigated, but it is possible to identify some basic works in specialised literature which aim to comprehensively study links with the State, as well as a number of academic sources enlarging, defining, and reinterpreting various theoretical and methodological aspects of the discipline. Works by P.A. Tolstykh,¹⁸ I.E.

¹⁴ A.D. Bogaturov, *Political Economy: Relations Between Business, Government and Society* (Moscow: Aspect Press, 2012) [in Russian].

¹⁵ Y.E. Blagov, *Corporate Social Responsibility: Evolution of Concept* (Saint Petersburg: HSM Publ, 2010) [in Russian].

¹⁶ S.P. Peregudov, *Corporate Citizenship as New Form of Relations Between Business, Society and Government* (Russian Academy of Science: IMEMO, 2006) [in Russian].

¹⁷ A.A. Degtyarev, M.D. Bondarev, and A.S. Teteryuk, (2018) 'Cyclical Dynamics of the "External" and "Internal" Environments of Business Organisation in GR-Management', *Vestnik MGIMO University*, No. 1 [in Russian]; L.V. Smorgunov, L.N. Timofeeva, *Theory, Practice and Mechanisms of Interaction Between Business and Civil Society with Government* (Moscow, 2012) [in Russian]; P.A. Tolstykh, (2012) 'Subjective Status of Lobbyism and Government Relations', *Historical, Philosophical, Political and Law Science, Culturology and Study of Art*, No. 4 [in Russian].

¹⁸ P.A. Tolstykh, *Practicum on Lobbying in Russia* (Moscow: Alpina Business Books, 2007) [in Russian].

Mintusov and O.G. Filatova,¹⁹ L.V. Smorgunov and L.N. Timofeeva²⁰ form the core of the fundamental literature on the upcoming area. P.A. Tolstykh analyses distinctive qualities of GR functioning through the example of the federal legislative body, the State Duma. I.E. Mintusov and O.G. Filatova suggest research vocabulary related to GR and study this phenomenon through the lens of the communicative approach (as part of public relations). L.V. Smorgunov and L.N. Timofeeva study several key aspects of GR activity (mechanisms and technologies, expert work, the structure of executive bodies, etc.). Besides these researches, some collective monographs studying the peculiarities of GR interaction with the State in different forms can be singled out.²¹ Moreover, there are some important research papers on the problems of relations of large businesses and the State,²² interaction between business associations and the State²³ and GR activity in the ‘third sector’.

More specific subject analysis of Government Relations tends to single out three main approaches to interpreting this phenomenon.²⁴ First, GR is characterised as a synonym to lobbying, i.e., the act of applying pressure to State and policymakers. Second, Government Relations can be interpreted as social-political communications which aims to build long-standing, stable and predictable relations with public authorities. This conceptual category is formed by several interpretations of Government Relations, e.g. GR as a complex of special communication technologies integrated in wider public relations, and GR as communication management used to reconcile the interests of businesses with those of public bodies.²⁵ Finally, the third approach reflects the management position, according to which GR is the activity aimed at managing corporate and social-political interests of a business to create a welcoming environment for doing business and to minimise negative effects of the State system. In this case, GR can be regarded either as a function at the intersection of the in-house (internal) environment and the State (external) en-

¹⁹ I.E. Mintusov and O.G. Filatova, *Government Relations: Theory and Practice* (Saint-Petersburg Publishing, 2013) [in Russian].

²⁰ Smorgunov and Timofeeva, *Theory, Practice and Mechanisms* [in Russian].

²¹ A.N. Shokhin, *Business and Power in Russia: Theory and Practice of Interaction* (Moscow: HSE Publishing, 2011) [in Russian].

²² S.P. Peregudov, *Corporate Citizenship* [in Russian].

²³ A.Y. Zudin, *Associations – Business – Government*. “Classic” and Modern Forms of Relations in Western Countries (Moscow, State University: HSE Publishing, 2009) [in Russian].

²⁴ Degtyarev, ‘Modern GR-Management’.

²⁵ V.A. Achkasova and I.E. Mintusov, (2015) ‘GR as a New Sphere of Communicative Activity’, *Russian School on Public Relations*, No.6 [in Russian].

vironment, or as the outward political aspect of management. The suggested interpretations of these approaches may cause a certain terminological confusion which requires clarification.

Under the first approach, GR is equivalent to lobbying and is just a euphemism for 'façade', which conceals commercial interest. As a counter to this argument, it is rightly pointed out that GR, as a corporate function, acts on behalf of the company, representing its employer in public bodies and acting entirely in the framework of the business strategy of an organisation. It is common knowledge that the aim of practically every business is to make and maximise profit or to satisfy expectations of shareholders and investors. Thus, it is difficult to imagine a GR specialist who, while interacting with the State, does not put a premium on resolving the organisation's interests in a way that could improve (or at least not deteriorate) the positions of their employer, with the key performance indicators (KPI) of the GR specialist directly linked to implementing the organisation's business strategy and improving its profitability.²⁶

Despite certain intersections with lobbyism, in the sense that both are means to develop representation for special interests, most experts think that modern GR management should be differentiated from lobbyism in its classical interpretation, which presents only the operational and technological level of strategic activity.²⁷ There are other reasons why they are not exactly the same. Lobbyism aims to exert influence on public bodies in order to ensure a concrete decision, while GR aims to build a trust-based system of relations in order to resolve a range of issues, often strategic ones.²⁸ Moreover, a GR specialist works on salary, whereas a lobbyist works for a fee or percentage. Finally, a GR manager is a corporate specialist who is guided and limited by their employer's corporate and ethical business principles, whereas a lobbyist may be much more flexible in the choice of tools to find a solution to the task.

The communication approach views Government Relations as communication between public bodies and business structures. It is reflected in PR specialists'

²⁶ N.N. Menshenina, (2015) 'Government Relations Issues in the Political Process of Modern Russia', *Journal of Ural Federal University named after the First President of Russia Boris Yeltsin*, No. 11 [in Russian].

²⁷ Tolstykh, 'Subjective Status of Lobbyism' [in Russian].

²⁸ D.B. Kotyev, GR-Technologies as Effective Means of Optimisation of Relations Between Business and Government Structures in Russia', in *Government, Business, Society: Problems of Optimisation of Interaction*, ed. L.E. Il'icheva (Moscow: INEC, 2010) 180-191 [in Russian].

work, which interprets GR as a PR subtype, where the addressee is not the masses but the authority.²⁹ Under this approach GR is in essence a modern means of information exchange between the State and economic structures, which links elements of the political system.³⁰ In this context, a number of authors clarify the correlation between GR and Public Affairs (PA), used in the West instead of the term lobbying, which has a negative connotation.³¹ On the other hand, PA is used to denote complex activity to control and manage all external conditions of doing business, including cooperating with the expert community, the media, citizens, and public structures. Thus, GR is a narrower category than PA, as it is devoted only to relations with public authorities.

It is worth mentioning that, within the communication approach, two interpretations of GR can be singled out in the research literature. First, GR is a set or combination of communication technologies (in the applied meaning), used by GR specialists to transmit information (the message itself) to public authorities. It is rather a narrow vector of researching the process of interaction of two communication subjects (roughly, 'I vs. they'), i.e. the structures of communication, forms of information transmission, types of information channels, etc.³² The other interpretation of GR implies not only performing communication but also doing certain activities to implement it. In other words, the emphasis is shifted from researching the communication process itself (what information has been transmitted by subject A to subject B) to analysing the methods and forms which make the communication possible.

Other scientists view GR as a 'management activity' that is new and specific for businesses and non-governmental organisations (NGOs).³³ This interpretation makes it possible to single out certain conceptual aspects of GR, specifying its subject matter. On the one hand, GR management can be likened to professional work made by business process managers both inside and outside the company. Thus,

²⁹ Mintusov and Filatova, *Government Relations* [in Russian].

³⁰ A.K. Krainova, (2012) 'Understanding GR-Communication in the System of Management of Political and Communicative Processes', *Human, Society, Governance*, No. 2 [in Russian].

³¹ I.E. Mintusov and O.G. Filatova, (2015) 'The Ethics of GR-Communications in European and Russian Practice: Comparative Study', *Vestnik of Saint-Petersburg University*, No. 4 [in Russian].

³² I.A. Bykov, V.V. Griбанov and I.V. Sidorskaya, (2015) 'Basic Model of Communication Between Business and Government: Problems of Theory and Practice', *Corporate Management and Innovative Development of Economy of North*, No. 4 [in Russian]; T.A. Cherkashchenko, (2015) 'Classification of GR Technologies: A Communicative Approach', *Mediascope Electronic Journal*, No. 4 [in Russian].

³³ Degtyarev, 'Modern GR-Management' 172.

their activity, as well as the activity of other managers, is aimed at preparing, making and implementing the company's growth plan (according to the corporate strategy) only in the framework of the political and State environment. In this respect, a GR manager is viewed not as a lobbyist with a detailed understanding of mechanisms of influence on the political system but as a professional manager who efficiently manages employees of other departments (PR, legal, marketing), as well as resources (financial, analytical, information) and external relations, in order to build a general 'system of interaction of a business with government'.³⁴ Besides that, GR management can be viewed as managing GR activities proper, that is ensuring a logically structured, complex process of exerting influence on public bodies. These activities include monitoring and analytics, communicating information to State bodies, and influencing (implementing subjects' interests externally). This understanding of GR can be exemplified by the work of integrated communications departments where Government Relations is only one of the communication functions (along with PR) which are used to present interests of the business to external stakeholders.³⁵ Finally, it is necessary to emphasise a more strategic role of GR management, which entails ensuring a company (at the executive level) participates in dialogue with public bodies, as a subject of entrepreneurial activity. In other words, this aspect of GR involves creating conditions for keeping a business on the State's agenda and making it an opinion leader for the government, using multiple social advisors and expert councils, public discussion platforms and forums, briefings, press conferences, private meetings and interviews. Engaging a business in constant communication with branch State stakeholders on a wide range of issues, a GR manager assists in institutionalising such political and managerial interaction thus creating a positive climate for confidence-building and sharing expertise between the primary and secondary sectors. L.V. Smorgunov writes, that GR also bolsters the role of business in reaching social objectives through stimulating corporate public policies to implement business interests. Business becomes more responsible and is more actively involved in public politics, thus implementing tasks which stimulate inclusive economic growth.³⁶

Consequently, GR represents all the variety of non-State political management, reflecting the multitude of interactions with subjects of State and corporate man-

³⁴ Tolstykh, 'Subjective Status of Lobbyism'.

³⁵ Such departments exist in the pharmaceutical industry, where roles such as Public Affairs, Government Relations, and Market Access are combined within a single corporate structure.

³⁶ Smorgunov, 'Interaction Between State and Business in Russia [in Russian].

agement, including the interplay of State bodies' and businesses' strategies. As a result, GR management can be defined as non-State actors regulating processes to exert influence on the external environment to ensure and sustain the main activity of a business. It is a type of legal political management in which non-State actors in the political and State macro-environment engage in a set of strategies, tactics, forms, and methods of behaviour to pressure the State legislative and administrative centres. In contrast, lobbyism is connected mainly with all means of influence and pressure on legitimate centres of decision-making by different non-State actors to promote particular interests, achieve certain goals, maintain a competitive advantage, and maximise benefits.

Despite the theoretical and practical approaches to GR, existing research has a number of gaps.

Conceptual and notional confusion. Due to several interpretations of GR management, the distinctions in the terminology used has faded. Some uses of key notions are controversial, such as GR activity, GR communication, and GR strategy, which leads to conceptual confusion. Moreover, there is a problem of applying key ideas that are widespread in the west to Russian reality, which has its own specific features.

Superficial development of certain topics. Russian literature still lacks complex research on types of public policy, singled out by Theodore Lowi (1964), who described several policies depending on their functions (distributional, regulatory, and redistributive). Taking into consideration the fact that modern research is focused on the analysis of 'regulatory policy' in the context of business and State interaction, which in essence includes all variations of State policies, from budgetary to regional, the use of Lowi's classification could make it possible to divide Russian public policies into separate subcomplexes according to the activity of different groups of stakeholders around a certain policy.

The gap between theory and practice. The existing theoretical studies formulated in the works of the above-mentioned authors, unlike western political and administrative schools of political science (e.g. Harvard Kennedy School of Government), are not systematically approbated in concrete political and managerial situations (cases), which is why it is impossible to verify or reject hypotheses empirically.

Lack of scientifically grounded methodology. The methodology of researching the processes of interaction between business and the State progresses rather

slowly, as it is not based on and does not use approaches of related sciences which deal with policymaking and public administration and were formulated in classical works (e.g. those by H. Lasswell and H. Simon Lasswell³⁷) and modern research (e.g. those by R. Scott, P. DiMaggio and W. Powell³⁸). Unlike the disciplines of political science or international relations, which have long and actively been enriching their theoretical and methodological bases through the use of methodological approaches of economics, econometrics, management, and legal studies, Government Relations is still an applied area (a certain set of best practices) in the framework of political science, which applies certain methods of GR analysis, such as mapping stakeholders and expert polling, but avoids using more fundamentally proved methods (such as neo-institutionalism or rational choice theory), which prevents this area from evolving into a substantial academic discipline.

Functional Role of a GR Specialist in Interacting with the State

While examining different interpretations of Government Relations, researchers ask who needs such specialists, what role do they play, and how should they professionally perform their functions along with conventional work done by members of parliament and civil servants, or rank-and-file corporate and line managers. The analysis of modern research on functional peculiarities of GR managers and specialists makes it possible to single out and generalise some areas of their activity.

First, GR specialists ensure that relations (at the macro-level) between public, business, and non-profit management sectors are formed, developed and that they are functioning well. At the same time, they ensure that certain actors of the processes (at the micro-level) interact and mutually coordinate their interests and goals in the framework of taking and implementing government decisions and public policies. For instance, public councils (social-advisory and expert-consultative councils), various State and private partnerships, and cooperation between local communities and opinion leaders are gaining popularity. In this context, GR specialists often work together with PR specialists, although their tasks and target audiences differ.

³⁷ H. Lasswell, *The Decision Process: Seven Categories of Functional Analysis* (College Park MD: University of Maryland Press, 1956); H. Simon, *Administrative Behavior: A Study of Decision-Making Processes in Administrative Organizations* (New York: Free Press, 1947).

³⁸ P.J. DiMaggio and W.W. Powell, (1983) 'The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields', *American Sociological Review*. No. 2; R.W. Scott, (2007) 'Competing Logics in Health Care: Professional, State, and Managerial', *Journal of Economic Sociology*, No. 1.

Second, GR departments take a significant place in the modern structure of corporate management. They play the role of a non-State subject of business, reacting to the actions of public authorities, while trying to influence the 'external' (political and State) environment by exerting systematic pressure on policymaking. In other words, they establish, develop, and implement specific activities to manage (support/react to) the pressure the 'external environment' exerts on a commercial organisation. They need to do their best to improve, support, and prevent the conditions of the external environment of corporate business (e.g. through fiscal, tariff, and investment legislation) from deteriorating, in order to prevent the loss of competitiveness and income.

Third, most modern models of public administration (e.g. governance and new public management) officially acknowledge that business plays a significant and legal role in formulating and implementing State policies, including economic ones. This participation manifests itself when a firm participates in governance and when public legislative and executive bodies make policies at different stages through systems of governance mechanisms, such as electronic government, smart government and open government. Electronic government is the analytical inclusion of businesses in the government's transparent communication of information about its work. Smart government is the independent expertise of draft laws and normative legal acts and the assessment of their regulatory influence on doing business. Finally, open government enables non-State actors to take part in the work of social-advisory and expert-consultative councils, parliamentary hearings in federal legislature, business forums, public discussions in the media, round table talks, and seminars on key issues such as fiscal, financial, and industrial regulation, including taxpayer and resource support.³⁹

Organisational Forms of GR Activity in Russia

An organisational form of lobbying is a subtype of GR management which has its own inner structure and arranges the process to interact with decision-makers to influence the decision-making process. Today in Russia there are three functioning organisational forms of GR activity: in-house GR, a unit of a company whose purpose is interaction with the State; GR performed by outsourced GR consultants; and GR activity by means of business associations.

³⁹ Degtyarev et al., 'Cyclical Dynamics'; Smorgunov, 'Interaction Between State and Business in Russia'; T.A. Kulakova, 'Involvement in Publicity: Government Relations', (2015) *Historical, Philosophical, Political and Law Science, Culturology and Study of Art*, No. 1-2.

A *corporate GR department* is the most widespread type of GR activity arrangement. Members of the GR department represent interests of the company in the political environment, monitor possible threats from State stakeholders, work out and implement measures to prevent such threats, and seek to increase income of the company through its participation in politics. In Canada, the Lobbying Act defines such specialists as in-house lobbyists who are responsible for interacting with officials on behalf of their corporations and lobbying for corporate interests⁴⁰.

One of the differences between corporate GR managers and professional consultants is that the former work on a fixed salary and on a regular basis while the latter are hired to work on projects and are paid a commission. Besides that, consultants simultaneously have a number of clients whereas a GR manager concentrates on their own company's interests. The GR department's strategy is part of the corporation's strategy, and the specialist acts in accordance with the company's principles and goals.

In Russia, the first professional GR departments started to appear in the early 2000s. Since then, the number of corporate employees and the significance of such departments for companies have been growing. Transnational corporations (mainly tobacco manufacturers and pharmaceutical companies) with the experience of building relations with public authorities in the US and Europe, where corporate GR extends back several decades, have been on trend.

According to L.V. Smorgunov,⁴¹ the emergence of GR departments in companies operating in Russia is determined by an increase in the role of State-owned companies and the State in the economy, the integration of Russia into the global economy and business culture, the frequent changes in regulatory policies and anticorruption initiatives of the Russian Government.

Based on a preliminary analysis of the development of GR activity, we can conclude that by 2019 such specialised departments in one form or another have been created in most large companies doing business in Russia. Industries with a large proportion of foreign investments and industries experiencing increased regulatory attention of the State (e.g. tobacco, beer, pharmaceutical industries as well as oil-and-gas, iron-and-steel, and telecommunication industries) have been at the forefront of establishing such departments.

⁴⁰ Office of the Commissioner of Lobbying of Canada, The Lobbying Act [R.S.C., 1985, c. 44 (4th Supp.)], available at https://lobbycanada.gc.ca/eic/site/012.nsf/eng/h_00008.html.

⁴¹ Smorgunov and Timofeeva, *Theory, Practice and Mechanisms of Interaction* 232.

A *business association* is a non-profit group which promotes the interests of a particular industry to State bodies. The final goal of a business association is to ensure governments make decisions that will benefit the industry as a whole or to prevent and/or change a decision which may be disadvantageous to the industry. Business associations are established because companies need collective action to consolidate their influence with the State. Corporations are prone to cooperation when they have a clear idea that the advantages of membership in the association will defray possible costs of non-membership. According to Ch. Mack, business associations can increase the impact of communication on public bodies, as forming an alliance produces a synergetic effect.⁴²

Foreign experience demonstrates that associations are a significant element of 'the system of exchange' between public bodies and business, providing inter-sectoral interaction. In terms of network analysis, associations are characterised as a 'participant-mediator', or an actor that provides access to a large number of stakeholders. It is ensured by members who are CEOs, board members and heads of committees in expert councils at ministries, other professional associations, subordinate committees, and commissions, which makes it possible to establish contacts with officials of government bodies and public structures.

The role of associations are especially important regarding underdeveloped government institutions. According to R. Doner and B. Schneider, associations give feedback to the State about market conditions, as well as about companies that are violating laws and engaging in misconduct which prevents the development of entrepreneurship, and thus they protect markets from market-failure.⁴³

As of 2018, Russian and foreign industries of all sizes, influence, and resources have established business associations in the country. They can be divided into umbrella associations (at the macro-level), e.g. the Chamber of Commerce and Industry of the Russian Federation or the Association of European Businesses; local industries such as the Association of Russian banks and the Association of Medical Products Manufacturers; and international organisations like the Association of International Pharmaceutical Manufacturers (AIPM). Nowadays foreign companies can only legally participate in discussions of industrial policies through these asso-

⁴² Ch. Mack, *Business, Politics and the Practice of Government Relations* (Westport: Quorum Books, 1997).

⁴³ R. F. Dorner and B.R. Scheider, (2000) 'Business Associations and Economic Development: Why some Associations Contribute More Than Others', *Business and Politics*, Vol. 2, No. 3.

ciations. Associations use several methods, including analytics (multiple formats of reports and fact sheets on issues faced by an industry), communication (legal cooperation with sectoral, regional, and national media), finance (association members can pool considerable resources together to implement large GR projects and to finance forums and conferences), and organisation (providing a forum for seminars, round table talks, meetings with officials, etc.). Besides, associations' activity tends to be transparent and legal, which meets ethical standards of doing business that foreign companies adhere to. Finally, the State encourages indirect participation in policy discussion through associations unlike direct lobbying (personal contact with an official) because it has a positive impact on the business climate and motivates corporations to continue doing business in Russia.

Historically, a specialised lobbying (consulting) firm was the first type of GR activity, and it emerged from law firms. According to Article 1 of the model law 'On regulation of lobbying activity in State authorities', 'a lobbying firm is a commercial legal entity, having more than one permanent employee. The employees act as lobbyists under the condition that their firm is not their client'.⁴⁴ In Russia such firms tend to be employed by large foreign corporations, international financial and industrial elites, and foreign business associations. Modern commercial firms are increasingly more active than private entrepreneurs. GR market shows a similar trend.⁴⁵

According to the professional dictionary of lobbyism, by P. Tolstykh, GR activity in Russia developed in two stages:

1) International lobbying firms established affiliates in Moscow in the period from 1990 to 2004. Subsidiaries of US and European GR firms were opened due to the growing necessity of large multinational corporations working in or entering the Russian market to understand the country's legislation and to build stable relationships with federal and regional authorities. With experience in interacting with public bodies in the US and Europe and realising the unique needs of international corporations, those companies managed to positively influence further development and professionalisation of GR services in the Russian market. PBN Company was the first professional lobbying firm in Russia, which appeared in 1990.

⁴⁴ Model law on regulation of lobbying activity in State authorities, adopted on 15 November 2003 in Saint Petersburg by Resolution No. 22-16, at the 22nd Plenary Session of the Interparliamentary Assembly of the CIS member States. (2004). Newsletter, *The Interparliamentary Assembly of the CIS Member States*, No. 33.

⁴⁵ A.V. Pavroz, (2014) 'Institute of Lobbying in Modern Democratic Societies', *Political Expertise: POLITEX*, Vol. 10, No. 3 [in Russian].

2) The period from 2004 until the present day can be viewed as a time of growth for GR firms, whilst it is marked by the establishment of the first Russian lobbying company, Kesarev Consulting. Since 2004, more Russian lobbying agencies have opened, which actively apply foreign experience (the Russian subsidiary of Ketchum, Rumyantsev and Partners, etc.). The establishment of the National Association of Government Relations Specialists (the GR League) in 2012 was an important milestone in the development of the Russian GR market. The GR League service to protect and represent the interests of Russian and foreign companies.

GR consulting, as one of the forms of intersectoral management, lies between public and corporate administration. The activity of a consulting agency aims at incorporating business interests into State interests in the spheres of regulation (enforcement of norms and rules of functioning of political, legal and economic systems) and distribution/redistribution of resources between public and private sectors. Unlike an independent, individual case of GR management, a specialised company tends to have more resources, being able to provide complex services and to resolve more serious problems by involving large numbers of employees with different specialisations. The inner structure makes it possible for employees to specialise and to maximise productivity while attaining objectives. Besides lobbying, companies often attract experts in specific matters to accomplish particular tasks. Such companies are distinguished by the matrix structure: experts with different specialisations (lawyers, political strategists, former civil servants, marketing experts, economists, etc.), who form temporary task forces to work on projects and are employed on a permanent or temporary basis. GR specialists and lawyers tend to be included in such task forces. The composition of the rest of the group depends on the task the client has set. Often such GR firms position themselves as PR and PA companies, law firms, BCG, PWC, etc. rather than lobbyists.

Research Prospects for the Republic of Cyprus

It is also interesting to view the degree of scientific development of lobbyism and GR activity in the Republic of Cyprus. Preliminary analysis indicates that there is a distinct shortage of specialised literature on GR by lobbyism researchers in Cyprus. Some information can be found in either agencies' consulting reports in the context of a wider analysis of entrepreneurship in Cyprus (E&Y and PWC reports⁴⁶) or EU reports on lobbyism within the EU in general and individual countries (Corporate Eu-

⁴⁶ PWC, *Cyprus Transparency Report* (1 July 2017 – 30 June 2018), available at <https://www.pwc>.

rope Observatory reports⁴⁷). The development of lobbying creates prerequisites for identifying GR activity as an independent form of representation of interests of social and commercial organisations in Cyprus, which deserves more detailed research.

According to the Global Corruption Barometer, published by Transparency International, 90% of citizens of Cyprus claim that convergence of public and private interests is very strong as the activities of several large enterprises are deeply integrated into the government's work.⁴⁸

Lobbyism in Cyprus is an unregulated and non-transparent activity, which is not enshrined in any legislation.⁴⁹ Besides the absence of a legal status for lobbying, legislative acts do not generally define 'lobbyism' or 'subjects and objects of lobbyist activity'. There are no obligations for specialists to register, adhere to regulations on this activity, or to publicly disclose their interaction with public officials. More than that, in Cyprus the lobbying community does not self-regulate, and it has no professional association, like the GR League in Russia. All this hinders the emergence of a concerted ethical code and professional standards of lobbying, which would make it possible to develop the sphere.

Today in Cyprus, there is a popular opinion that actions connected to lobbying corporate interests are especially widespread in the political sphere. In most cases, lobbying is used to access the process of policymaking. Donations to non-governmental organisations and funding political parties to further influence the target stakeholder are among the ways to influence decision-makers. According to a European Commission report, informal connections and bribery can be distinguished among the lobbying tools.⁵⁰ However, in the materials studied, there is no differentiation between lobbying and other related categories, such as Public Affairs and Government Relations.

com.cy/en/publications/assets/transparency-report-fy18.pdf; E&Y, *Russia Doing Business in Cyprus* (2017), available at <https://www.ciba-cy.org/wp-content/uploads/2018/11/ey-russian-report.pdf>.

⁴⁷ Corporate Europe Observatory, *Captured States: When EU governments are a channel for corporate interests* (February 2019), available at <https://corporateeurope.org/en/2019/02/captured-states>.

⁴⁸ Cyprus University of Technology & Transparency International, *Lifting the Lid on Lobbying: Mapping the Lobbying Landscape in Cyprus* (Limassol: Cyprus University of Technology & Transparency International Cyprus, 2014).

⁴⁹ Association of Accredited Public Policy Advocates to the European Union, 'Lobbying Landscape in Cyprus', Association of Accredited Public Policy Advocates to the European Union (13 January 2019), available at <http://www.aalep.eu/lobbying-landscape-cyprus>.

⁵⁰ European Commission, *Special Eurobarometer – Corruption Report*, European Commission

Consequently, experts note that there are limited opportunities to analyse mechanisms to influence laws or political and managerial decisions, as well as the scope and intensity of lobbying, and to assess related expenses.⁵¹ Because of that, lobbying in Cyprus is mostly perceived negatively as favouritism, nepotism, corruption, and manipulation rather than as a means to represent interests. After a number of corruption scandals with the collapse of the financial sector in 2012 and 2013, lobbying has been identified as something destructive for public institutions. Therefore, on the one hand, the topicality of careful examination of the relations between businesses and the State for Cyprus and GR, as a civilised form of interest representation, is determined by the lack of understanding of lobbying as such. On the other hand, there is a practical need to study GR in Cyprus, so Russian companies working in Cyprus can enhance their communication with local regulatory authorities, and particularly with bureaucracy. Cyprus is known to be an attractive business location for Russian businesses in terms of finance and investment. Expert reports indicate that within four years of Cyprus introducing the Naturalisation Through Investment and Entrepreneurship programme, Russia invested more than USD4 billion in Cyprus' economy, while total foreign direct investment inflows in 2017 only are estimated to be more than USD6 billion.⁵² Investment and entrepreneurship are important drivers of Cyprus' economic growth; even so, they require constant interaction with local officials on numerous issues varying from registering legal entities to submitting documents. In this context, surveys of Russian companies on the main handicaps for doing business in Cyprus prove that inefficient local bureaucracy, which slows economic growth, is a significant barrier.⁵³

According to the World Bank's report comparing business conditions in 189 countries, in 2014 Cyprus was ranked 39th in the Doing Business rating, and in 2017 it was 45th, while in the sub-index 'Starting a business', Cyprus came in 44th in 2014 and 64th in 2017.⁵⁴ Unfavourable conditions for implementing construction projects

(20 January 2019), available at http://ec.europa.eu/commfrontoffice/publicopinion/archives/ebs/ebs_397_en.pdf.

⁵¹ Association of Accredited Public Policy Advocates to the European Union, 'Lobbying on Cyprus Must Come Out of the Shadow', Association of Accredited Public Policy Advocates to the European Union (30 January 2019), available at <http://www.aalep.eu/lobbying-cyprus-must-come-out-shadow>.

⁵² UNCTAD, *World Investment Report, Country Fact Sheet Cyprus*, UNCTAD (30 January 2019), available at https://unctad.org/sections/dite_dir/docs/wir2018/wir18_fs_cy_en.pdf.

⁵³ E&Y, *Russia Doing Business in Cyprus* (2017), available at <https://www.ciba-cy.org/wp-content/uploads/2018/11/ey-russian-report.pdf>.

⁵⁴ World Bank, *Doing Business Report* (2017), available at <http://www.doingbusiness.org/content/>

as well as weak control over execution of contracts are especially emphasised.⁵⁵ In this regard, evidence which underscores the necessity to reform the public administration system in Cyprus to stimulate economic growth after the 2012-2013 crisis is of interest. For instance, among the key elements which need modernisation, the Cyprus draft State programme of reforms underscores the introduction and development of electronic government (e-government) to increase the involvement of the population, civic groups, and businesses in discussing and working out political and administrative decisions aimed at lowering excessive sector regulation, as well as introducing measures to reduce corruption and stimulate new investment.⁵⁶

In conclusion, it is necessary to point out that these initiatives are consistent with the new public management conception, which suggests more active transparent and ethical involvement of non-State subjects in developing public policies, including economic ones. It is indicative that such change was carried out in Russia as part of its modernisation policies during D. Medvedev's presidency from 2008 to 2012. As a result, it has contributed to the development of civic institutions, the emergence of new public discussion platforms and more active involvement of civic groups and the business community in public policies. Considering the trend of the Republic of Cyprus to further develop feedback channels between sectors of governance, GR may become a useful and viable tool to ensure effective and coordinated relations between local companies and foreign investors on the one hand, and the State on the other.

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⁵⁵ E&Y, *Russian Doing Business in Cyprus 2017* (20 January 2019), available at [https://www.ey.com/Publication/vwLUAssets/Cyprus-Russian_Study_Report_en/\\$FILE/ey-russian-report.pdf](https://www.ey.com/Publication/vwLUAssets/Cyprus-Russian_Study_Report_en/$FILE/ey-russian-report.pdf).

⁵⁶ Europe 2020 Cyprus National Reform Programme, *Presidency – Administrative Reform Unit* (30 January 2019), available at <https://ec.europa.eu/info/sites/info/files/2018-european-semester-national-reform-programme-cyprus-en.pdf>.

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