Transformative Times
New Opportunities and Challenges for Corporate Affairs & Communications Leaders
The corporate affairs, external relations and communications function is constantly evolving and needing to do so with ever-increasing speed. Whilst traditional themes of integrity and judgement remain constant, organisations seek communicators who can cope with a fast-paced environment, manage multiple issues and fully embrace the benefits of greater collaboration and partnerships, both internally and externally.

In the early 1990s, the major trend was the development of the communications function as a professional in-house discipline away from pure public and media relations agency support. Whereas it had been highly reliant on agencies, staffed predominantly with individuals with journalism training, the demand from CEOs from 1995 onwards turned to individuals who could be embedded in the business, albeit still very much those with a strong media relations profile.

By 2000, the demand had evolved to broader players—those who not only had the judgement to guide the news agenda and shape the story but who, increasingly, were able to think across different stakeholders’ points of view. In 2003, the first requests from clients were coming through for candidates with MBAs.

Since 2009 and the financial crash, there has been a significant swing again. Now the demand is for sophisticated hybrids who have the intellectual rigour, leadership capabilities and professional skill set to protect and enhance reputation holistically.
Today’s communicator—factors and impact

There are several factors affecting the changing profile of communications and corporate affairs.

The converging forces of technology, globalisation and multiplying stakeholder segments require a higher level of communications coordination, integration and coherence than ever before. Messages can no longer be different for different stakeholders.
Conversations at the CEO and chairman level indicate a far greater emphasis on reputation—both corporate and personal—in the last seven years. The general public has grown increasingly suspicious of corporations, governments and public institutions, and, as a result, there has been an increase in demand for peer-to-peer recognition and communication, bottom-up communication, and the expectations of consumers and customers for greater transparency and overall two-way engagement.

Communications is arguably one of the most disrupted professions—feeling the effects of seismic shifts in the media sector (with its increasing commercial challenges), the weight of reputational pressure in the age of activism and being at the forefront of game-changing trends such as big data and employee empowerment online.

In this environment, what are the attributes companies should be looking for, and are these skills and competencies represented in today’s leading communicators and corporate affairs directors?

- Spotlight on leadership
- Digitalisation
- Activism
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- Big data
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- Having a voice
- SRIs and risk measurement
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Spotlight on leadership

**THE CHALLENGE.** Leaders (political or corporate) have probably never been held under such scrutiny or potential vilification by the public as they are today. We see media slip-ups by CEOs that significantly impact corporate reputation and brand love. The United Airlines’ case massively undermined customer loyalty and made a mockery of a “customer obsessed” corporate strategy and “friendly skies” brand.

Driving an inclusive culture depends significantly on how a CEO expresses his/her vision and sets out his/her expectations on corporate behaviour. The shift to two-way conversation, bottom-up influence and a more consultative and engaging strategy where leaders take people on a journey requires a compelling narrative that is delivered with an authentic voice.

**THE OPPORTUNITY.** Leaders are, on the whole, modern in their approach, digitally savvy, conscious of their personal brand, nervous about their tenure and alert to market threats and the escalation of a “bad story.” However, given the complexity of shaping both personal and corporate reputations, forming a productive and trusted relationship with a corporate affairs advisor is now seen as essential.

The advisor who can speak truth to power, can bring insight and perspective, is adept at setting out the risk scenarios and who has built up a pre-existing powerbase of influencers across a multi-stakeholder platform is going to be highly influential and impactful.

The individual will need to be “heroic” and brave at times but also highly empathetic and intuitive, strong on galvanising action but also connecting with others. Their approach to solutions should span pragmatism and innovation.

The best in class are already operating as significant trusted advisors but there is even more opportunity and scope for corporate affairs professionals to be “inside the CEO tent,” informing and shaping corporate strategy.
THE CHALLENGE. Digitalisation is empowering end users and increasing competition for share of voice and share of market. There has been a rapid shift in societal expectations around access to information and transparency—and also a desire for more two-way dialogue and an opportunity to input ideas.

Digital platforms, as a means of stakeholder engagement, feature largely in the communications toolbox. Given the disintermediation of news distribution, companies need to be innovating but also get more comfortable with their lack of overt “control” over content.

The website is now, more than ever, a channel that significantly influences perceptions of a company, but it must also be consistent with the real-world experience of the brand. Information is now exchanged in “real time” and perceptions flip in an instant. There will be a balance between choosing to “rebut” a point of view versus letting it ride out and see if champions come through for the brand and then rebalancing.

See the rise of social, digital and mobile communications as the biggest change within their function

**Digitalisation**

**THE OPPORTUNITY.** We have seen significantly increased investment in content. Every organisation is looking at better ways of creating content, not only because there is increasing emphasis on managing costs through digitalisation, but also because of the recognition that stakeholders expect to see more images.

The current approach is to be far more proactive, ensuring that an already established set of networks and interrelationships can help build support and understanding.

Companies are hiring people from the broadcast industry—keen to capture their skills in “packaging” information into bite-size compelling nuggets of distributable content.

The skill set behind this is still evolving so quickly that talent tends to come from agencies (with strong project management skills and exposure to multiple clients), as well as journalists who have embraced social media, as they understand the purpose and power of images.

Employers are constantly seeking ways to engage with their multigenerational employees. Digital internal channels are a key means of engagement, learning and development, with organisations such as Pearson and IBM developing their own learning academies.
Activism

THE CHALLENGE. Organisations, by and large, acknowledge that NGOs, in their position as cause-related champions, can afford to take more risks and are less hampered by corporate paralysis. They are more sophisticated and nimble in building impact campaigns, have taken to social media and proactive campaigning more quickly, and are able to access and share information with speed.

Consider Greenpeace’s highly successful campaign against Lego and its relationship with Shell. What might once have been a story in a regional paper now gains immediate exposure on the global stage. Small stakeholders have realised the benefit of pulling together to share platforms as well as content.

The success of a business depends on its relationships with the external world — regulators, potential customers and staff, activists, and legislators. In a highly volatile world, the need for better stakeholder engagement and a more “advocacy” and “partnership” mindset is critical.

THE OPPORTUNITY. In the last five years, we have seen a significant shift in the importance of developing an advocacy approach. From Levi’s and H&M pledging to make more eco-friendly clothing to SurveyMonkey, which donates 50 cents per completion of certain surveys to a variety of charities, the drive for greater engagement with stakeholders and playing a significant role in finding solutions to global issues is one of the industry’s biggest mandates.

The rationale is that if you can build good relationships through time commitment, face-to-face dialogue and data-rich insight and show a willingness to listen to another point of view, maybe even change your position, then there is a higher probability that you will be cut a little more slack or be given a greater chance to explain. This mitigates reputational risk.

There is also more focus on social performance and addressing concerns locally, quickly and effectively through communication engagement.

Additionally, there is more investment in tracking and monitoring “chatter” and increasing the sophistication of custom risk management systems.
Risk management

**THE CHALLENGE.** Organisations recognise that they are only as strong as their weakest link. There needs to be far more interconnectedness within the organisation.

Reputation needs to be on the board agenda and the P&L, and companies should value reputation as more than just “brand” presence. It informs perception and is a key indicator of value and performance.

Recent Schillings research found that only 3% of FTSE 100 companies currently have a way of managing their reputation across the business, only 4% define their reputation risk appetite, just 8% currently measure reputation risk and 23% state that their reputation is owned by the board.

Whilst a board perceives the corporate affairs function as “owning” reputation, it should be owned by everyone. The corporate affairs director is reputation’s steward, helping the board recognise the reputational impact of a decision on each stakeholder.

**FTSE 100 COMPANIES**

- **3%** Have the means to manage their reputation across the business
- **4%** Make their appetite for reputational risk explicit
- **8%** Measure their reputational risk
- **23%** Say their reputational risk is owned by the board

*Source: Reputation Resilience Report, Schillings, 2015*
THE RESPONSE. While the corporate affairs director (CAD) will always continue to be the eyes and ears of the senior leadership team, now there is even more onus on the individual to act as a “purposeful connector,” listening attentively and facilitating strong working relationships.

A corporate affairs professional should have “freedom to roam” within an organisation. He or she is expected to take the lead in building relationships across functions, specifically legal, marketing, finance, strategy, regulatory, investor relations and human resources. The CIO is also an important internal stakeholder. And don’t forget external stakeholders.

Once the CAD has built these relationships, he or she has the unique power to escalate any risk issues discovered along the way. With the increasing number of CADs on executive committees, they are now embedded within the heart of strategic decision-making and can influence this topic.

As a result, the CAD must be proactive in building relationships with the risk team and ensuring board attention on reputational risk. Successfully fulfilling this role requires low ego and a true desire to collaborate.
Big data

THE CHALLENGE. Marketing has always utilised customer and competitor data, and data has long supported the development of product lines and brand launches, as well as informed political campaigns. The challenge is to embrace the crossover and blurring of lines between marketing and communications. The challenge is also to have the skill to pick out the salient facts and insights from big data and cut the “noise” in order to build out clear, distilled messages.

Nobody “owns” data—breaking down siloes and encouraging cross-fertilisation of skills and experience will benefit the organisation.

THE OPPORTUNITY. By building out a stronger marketing mindset, the CAD has the opportunity to draw upon data for reputation measurement, issue tracking, stakeholder analysis and third-party perspective. Critically, it is not the raw data that enables the function to add maximum value, but rather the insight and guidance. The successful CAD should understand how to utilise this data to bring fresh perspectives and deeper rigour to a communications strategy. Intertwining powerful storytelling techniques with quality data points will influence behaviours and inform audiences better than ever before.

So it’s no surprise that in the last few years corporate affairs departments have started to hire their own data teams to look widely across corporate data. So many elements feed into corporate reputation that it is critical that a 360-degree analysis inform decision-making.
Cyber risk

THE CHALLENGE. The corporate affairs function has had to get to grips quickly with cyber risk and develop ever-stronger relationships with the chief information officer and chief risk officer. An attack will happen—it will be a matter of companies needing “to look unfortunate, not incompetent,” as one cybersecurity specialist put it. Widespread education for all board members and wider management are essential, especially with the imminent GDPR regulation, whereby companies will be required to disclose cyber breaches.

ORGANISATIONS: COSTS OF SECURITY BREACHES

- 50% faced public scrutiny after a breach
- 22% lost customers—40% of which lost more than 20%
- 29% lost revenue—38% of which lost more than 20%
- 23% say their reputational risk is owned by the board

Source: Annual Cybersecurity Report, Cisco, 2017
THE RESPONSE. The corporate affairs director needs to work with the board to understand and draw out the “agreed level of appetite” for risk and work with the chief risk officer around joint planning and the future investment strategy.

Having a conversation about the viability of a business strategy in the context of reputational risk, including cyber risk, will enable the CAD to become integral (if they’re not already) to corporate strategy. Internal relationships remain key—data can be a “bonding” factor between functions. We see that FTSE 100 companies, such as Lloyds Banking Group and Vodafone, all have data security within the CAD’s responsibility.

Further, one must have crisis communications experience—not only planning for crisis scenarios, but also knowing how to handle them.

The impact of data loss can be catastrophic for reputation. Confidence in data management has become a significant board issue, and the communications function should be working hand in glove with the CIO and across all functions to mitigate all risk factors and, in all likelihood, be ready to deal with a cyberattack.

Cyber risk
Having a voice

THE CHALLENGE. Campaigning is another key development across the corporate affairs function. One can track some of this back to political campaigning, where significant numbers of people were mobilised and, with the introduction of more digital social media, campaigning became a natural bottom-up movement to harness the energy behind common goals.

Also tied up in this need for a voice is the increasing pressure for companies to be socially responsible and to create a positive impact in the communities they serve (discussed in more depth on page 8). It’s no longer just about what your brand stands for and does out in the world, but how you tell the story. In a world where consumers are exposed to thousands of brand messages every single day, having a unique voice helps companies rise above the clutter.

THE RESPONSE. The silo that used to exist between marketing and communications is being broken down across all sectors. Primarily this is around the social brand value and engagement strategy across multiple channels and platforms, especially social media. As mentioned previously, it is also about the utilisation of data to inform thinking.

Another important point of connection for CADs is with all of their company’s own employees, who are already living embodiments of the company’s voice, whether or not they are all aligned. Making sure employees understand and feel ownership of a company’s message will help amplify it even further.
SRIs and risk measurement

**THE CHALLENGE.** Investor focus around social responsibility and social purpose has been growing exponentially. It is the means by which quite often a board may suddenly have a light bulb moment when they realise that how they are perceived, and the level of social good they are seen to be achieving globally, will directly impact investors’ opinions of them.

In the 2016 UK Reputation Dividend Report, based on more than 200 UK PLCs, it is estimated that “38% of the market capitalisation of the FTSE 100 Index is directly attributable to corporate reputations, up from 30% a year earlier.”

Being a good corporate citizen plays a big part in building confidence in an organisation and in its leaders. It is also proven to be a significant lever in attracting, developing and retaining talent.

**THE RESPONSE.** Corporate affairs still struggles to find the best way to account for its impact because of the long-term nature of its role.

Matt Young, former director of corporate affairs at Lloyds Banking Group, talks about the importance of relationships and perceptions in an interview with CorpComms magazine, saying, “The big sea change in the last ten years has been the fact that reputation has moved from being something that the board prodded at to becoming the most important issue facing them.”

The market-value attrition of companies, such as Tesco and Volkswagen, who have behaved badly, is evidence of the tangible value of reputation.

With investors evaluating businesses through social value and performance, the mandate of the corporate affairs director has widened significantly. Increasingly, the scope of the role has overtly shifted to include sustainability and CSR. This includes companies such as Volvo, Carlsberg, DHL, Heineken, Vodafone and GSK.
Increasing regulation

**THE CHALLENGE.** With the rise in regulation globally, the significant reputational risk and business viability that result from a lack of compliance and the increasing importance of influencing policy and regulatory frameworks early have meant a significant shift in what is expected of the corporate affairs director. All sectors are under significant pressure to manage regulatory impact.

**THE RESPONSE.** There has been a noticeable rise of interest in corporate affairs directors who have a legal background. They are seen to have the academic rigour and training, attention to detail, obsessive awareness of managing risk, and the mind to handle incredibly complex data points. In the US, we have seen some signs of a shift in reporting line whereby chief communication officers report directly to the chief legal officer rather than the CEO.

There has been greater interest and demand for people whose early career was in central government, multilaterals or powerful NGOs, where knowledge of due process is strong, levers of influence understood, and contacts established and credibility gained. Some of these roles might be policy related but others are diplomacy related, such as former junior diplomats in the UK Foreign & Commonwealth Office. The reason for this is that very many of these were selected on a fast-track graduate programme and identified as talent with their intellectual horsepower already well established. With Brexit negotiations dominating much of private and public sector thinking in the UK, those who have a track record in negotiation and complex relationship building are highly sought after.

Joakim Reiter joined Vodafone’s Exco as group external affairs director in August 2017 after an established civil service career covering roles as an EU negotiator, a diplomat with the Swedish Foreign Service and latterly as the Deputy Secretary General of the UN. In the US, Amazon hired Jay Carney and McDonald’s hired Robert Gibbs. Both came from a White House background.
Drive for financial results

THE CHALLENGE. With ever-increasing pressures on businesses to satisfy investors and manage activist shareholders and the short-term objectives of hedge funds, it might be easy for organisations to make a financially expedient decision. The operational arguments for closing a site, launching a product and so forth may indeed be sound, and yet the CAD may be the only one to bring the outside in—to reflect back to the group what the reputational impact of a decision might be.

For a pharmaceutical business, for example, what seems a great commercial deal with regard to pricing might wholly undermine its relationship with the World Health Organisation. The CAD needs to speak up and highlight that the reputational fallout may have more long-term impact on the bottom line due to the loss of trust and confidence than the expected benefit of the deal.

Communications has to be embedded with business and commercial outcomes and must be influential in corporate strategy. This is why so many companies in the FTSE 100 have CADs sitting on their executive committees.

We consistently hear how companies have avoided significant reputational damage and bottom-line impact because the CAD had the confidence, insight, intellectual rigour, gravitas and credibility to speak truth to power. It is essential that corporate affairs leaders should not fear for their jobs and that they should always be ready and able to speak up.

There are indeed occasions when no matter how much the CAD might flag the problems, the company will still push ahead. In these instances, the good CAD will set out all of the risk factors that could then unfold and create plans to deal with them.
**Drive for financial results**

**THE RESPONSE.** The need to speak up has always been a core element of the CAD, but traditionally it might have been to manage the fallout from a decision rather than to influence it.

Increasingly, the person will need to operate as the moral compass for the organisation—actively highlighting not only risk but aligning decisions with corporate long-term reputational objectives, organisational values and behaviours.
Employees as brand ambassadors

THE CHALLENGE. Whereas in the past, employees were often the “last to know” or given a much-diluted version of corporate strategy and direction, now there needs to be complete synergy with external messaging. Employees can play a key role as brand ambassadors. Employee engagement enables the company to build advocacy at scale, and organisations are realising that employees can be powerful advocates.

Not only is strong internal communications necessary in times of crises, employees value having content with which to help defend the company’s position as well as, increasingly, to promote and validate the organisation’s role in society.

There is an increased recognition that social media platforms are windows into corporate culture. Moreover, effective and compelling internal communications that lead to an engaged workforce will directly affect productivity by encouraging discretionary effort, reducing attrition and actively increasing talent acquisition.

THE OPPORTUNITY. Whereas internal communications was a somewhat siloed discipline, often described as the poor Cinderella and too tactical in its approach, now it is seen as a critical part of the wider brand engagement strategy.

There has been a marked interest in developing a more digital approach to employee engagement—this has included the introduction of employee apps, gamification to change behaviours, setting up communities through social media and more.

There has been a liberalisation of communication and more transparency. The function increasingly acknowledges and embraces the value of open debate and community building at a grass-roots level—taking a far less paternalistic approach to employee engagement.

This integrated and digital approach means that there are increasingly blurred lines between marketing, HR and communications. The opportunity is for the corporate communications function to guide and lead a common approach in an authentic but innovative way.
War for talent

THE CHALLENGE. The pace of change, democratisation of information, increasing regulation and the globalisation of reputational risk demand a supremely professional, inspiring and influential corporate affairs leader. The “wish list” of attributes, skills and experiences has become much longer and expectations are high.

With increasing regulation, the demand for those with existing specific industry knowledge has shifted quite dramatically in the last two or three years. Moreover, there has been a quite significant increase in women in top roles, both in the United States and across Europe. And with the need to be impactful in a global setting, clients seek multilingual candidates.

As communications and business strategy become ever more intertwined, we also see a significant increase in demand for more academic rigour, an expectation of an MBA and a preference for those with legal training.

Of particular interest to clients are those who can straddle the corporate and not-for-profit environment, given the increasing influence of social purpose and corporate responsibility, advocacy methodologies and stakeholder engagement campaigning.

More widely, organisations seek to secure talent, improve attraction and reduce attrition. In a deeply competitive world, where the millennial workforce imposes greater demand on two-way engagement and a sense of purpose, companies need to have a clear voice and commitment to transparency and communication.
**War for talent**

**THE OPPORTUNITY.** Communications teams can take the lead in working directly with HR and talent teams to ensure that the corporate narrative, culture, values, vision and sense of mission is conveyed in an appealing, positive and inspiring way. Furthermore, by measuring brand sentiment, brand pull and peer-to-peer referrals, the corporate affairs function strengthens its position as a strategic partner, actively impacting the opportunity for growth.

Within the function itself, companies are increasingly recognising that they need to manage their existing talent better with formal mentoring schemes, development programmes and increased exposure to senior business leaders to develop confidence and deeper business acumen. We have seen greater demand for help in the assessment of corporate affairs functions to check “fit for purpose,” and for advice about the right set of skills, behaviours and mindset required to thrive in today’s demanding world.
In terms of “future proofing” the function, we see the individuals with a “partnership” mindset and those with diplomatic experience that epitomises best-in-class influencing, political connections and negotiating skills being increasingly sought after.

The biggest change is likely to be in relation to data analytics, insight and measurement. We already hear of corporate affairs directors starting to build out their insight teams—sometimes partnering with marketing, but more particularly hiring their own people to look deeper into issue management, stakeholder sentiment and the drivers of consumer choice.

With the pressure on to find high-calibre individuals who understand operational impact and bring P&L responsibility, it is also likely that companies will look across other functions or business divisions for talent—blending their existing rich knowledge of the business. The key here, however, will be the rigour by which companies check for leadership qualities and a multi-stakeholder mindset.

The demands, expectations and high-profile pressure on these corporate affairs director roles are likely to increase substantially.
The perfect cocktail

The demands on the corporate communications and corporate affairs professional are significant. Expectations are high. Given that change is the new constant, the function now is about integration, consistency, coordination, collaboration and alignment. It is about expertise and adding value to corporate objectives and strategy. Perhaps it is, above all, about shaping the organisation’s narrative and building advocacy and authentic dialogue across multiple stakeholders.

The best way to describe the skill set of the future talent is about being a hybrid and a chameleon. We could describe the perfect person as a “cocktail” of skills and experience—mixed at different strengths with different kicks for specific objectives. Each cocktail will have a core base of skills, but, depending on where the organisation is in relation to its own levels of sophistication, quality of leadership team, set of risks to its reputation and geopolitical influence, the combinations will be tweaked.

Whilst there will always be deep-dive experts who may bring very specific relationships or knowledge, increasingly there is a demand for individuals who can think holistically and who are able to see the big picture.

Best-in-class individuals:

- will need to be very good at understanding the interrelationships of messages and the many means by which those messages can reach different audiences.
- should be able to analyse data and provide meaningful insight.
- have the intellect and strategic horsepower to be able to work at a very senior level to persuade executives of the merits of an engagement strategy or reputation management plan.
- have the judgement and analysis which allow them to see around corners. Those who are thriving in the current market are those who can use their knowledge, their experience and their ability to anticipate and plan for the issues that are most likely to cause problems for the organisation.
- have an inherent ability to use negotiation, influencing and diplomatic skills—these are likely to be more prominent in those people who have already experienced that world in policy-setting roles, perhaps in government.
About Russell Reynolds Associates

AUTHOR

CHANTAL TREGEAR is a leadership consultant in Russell Reynolds Associates’ Corporate Affairs and Communications Practice. Based in London, she advises local, European and global clients with a focus on all areas of corporate communications and corporate affairs, including media relations, PR, government affairs, and internal and change communications across all sectors.

Chantal has over 25 years of experience in the communications industry. She spent 14 years with a corporate communications and investor relations boutique executive search firm based in central London. There, she was the lead director for senior corporate affairs searches across the FTSE 100 and Euro 300, the lead for high-profile public sector appointments and she established the Internal Communications Practice. Chantal has particular interest in the rapidly emerging role that “social purpose” has in the private sector. She regularly consults with clients on industry trends, team structures, capability reviews and talent pipelines, providing guidance around best practices.

Chantal started her career in financial public relations at Streets Financial Strategy, covering IPOs and M&A. She then moved into HR and development at Shandwick Consultants, where she was responsible for firm-wide recruiting, as well as staff training.

Chantal received a First Class Honours Degree in English from Victoria University, New Zealand. She is also a certified coach from Henley Business School and an accredited Hogan practitioner.

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