

Corporate Affairs. Redefining the role, releasing the potential

A survey of leading UK Corporate Affairs

Directors discussing their roles, teams and futures.



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Introduction

Of all the corporate functions, Corporate Affairs continues to be the most subject to change.

It’s a function that requires constant evolution; adapting to a world where a message can reach a global audience in an instant. A world where responding to a crisis, as well as engaging with employees and government, is critical, not just to a businesses’ success, but to its very survival.

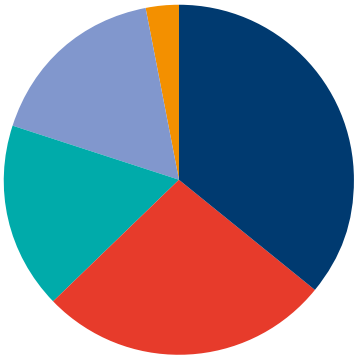
Rather than relying on transactional ‘PR’, businesses are now responding to the pace of change with enlarged and enhanced internal teams. This has significantly increased the influence of Corporate Affairs. In some cases, it now acts as a strategic business enabler, an aide to the CEO, and central to conversations on business strategy.

Whilst there are examples of business which have nimbly adjusted to change in this way, there are many which have not. Thus, the current role of the Corporate Affairs Director (CAD), and the structure and responsibility of their teams varies enormously.

“For a function with significant potential to address changing business needs, it is still often misunderstood, or underestimated.”

Respondents’ Business Categories

- FTSE 100: 36%
- FTSE 250: 27%
- Privately Owned: 17%
- FTSE 100 Equivalent Overseas - Japan, Spain, Italy, Denmark and Sweden: 17%
- Government: 3%



These Directors work for businesses across all sectors, reflecting the makeup of the FTSE 100. The highest response came from those working in financial services (c30%), with a fair mix of other sectors, including pharmaceuticals, hospitality, construction and engineering, defence, real estate, FMCG, and a number of others.

This report is based on insight from a survey of 36 Corporate Affairs Directors and selected follow-up conversations, with most CADs coming from FTSE 100 or FTSE 250 businesses.

What's in a name?

The title of this functional leader has been through various evolutions, but most frequently appears as the (Global or Group) Corporate Affairs Director (CAD). This reflects the changing nature of the role, more often encompassing government and media relations, as well as a broad range of other responsibilities.

Our survey revealed other titles, like Brand and Communications Director (in FMCG businesses), several Corporate Affairs and IR Directors, and the comprehensive title of Strategic Director of Stakeholder Engagement. Reputation Management is often used as an expression to define the function, but has not found its way into job titles as yet.

REMUNERATION

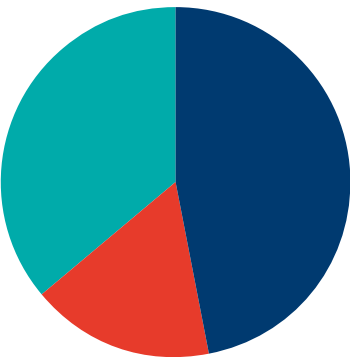
Remuneration for CADs remains highly sector-specific, with Financial Services the most well-rewarded. As one might expect, there is also a clear difference between those on the Executive Committee and those who are not.

The LTIP is an important aspect of remuneration and offers a significant uplift to those in the FTSE 100. This also identifies the CAD as a true business enabler, tying financial reward directly to company performance.

47% earn a base salary of £210,000 - £300,000

17% earn a base salary upwards of £300,000

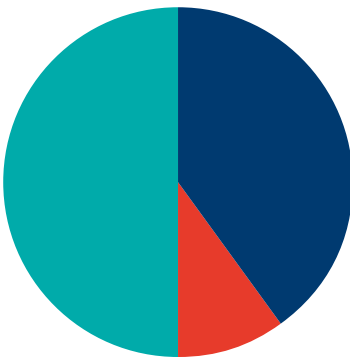
36% earn a base salary of less than £210,000



40% earn an overall remuneration package of £500,000 - £750,000

10% earn an overall remuneration package upwards of £750,000

50% earn an overall remuneration package less than £500,000



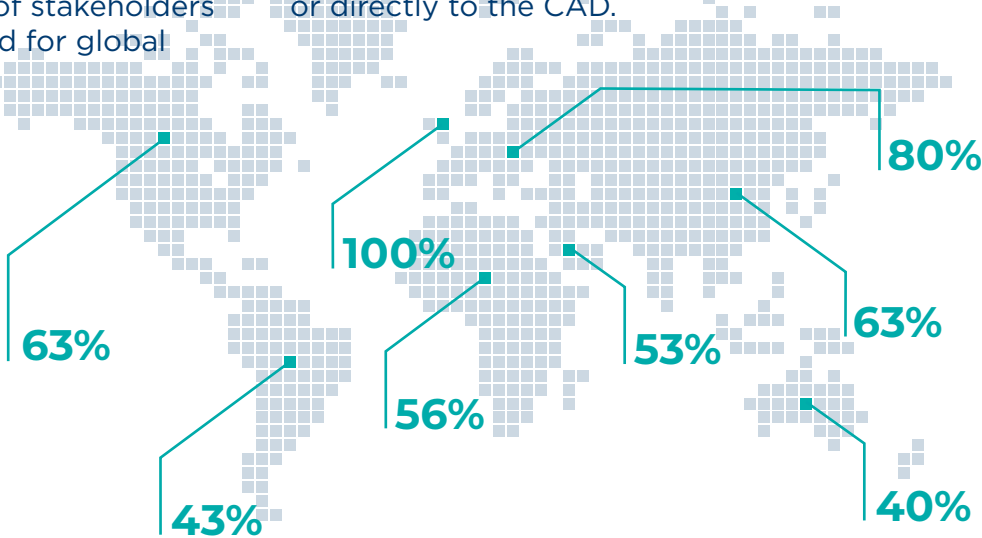
A matter of geography

All of those interviewed are responsible for the United Kingdom, plus at least one other region.

Most have responsibility for the EU, with 63% having additional responsibility for Asia and North America, and 56% for Africa. This is not surprising given the global nature of the Corporate Affairs role, the change in the geography of stakeholders and the need for global advocacy.

There is a 50% split between those organisations who manage global teams through a centralised function, and those who have experts in the countries concerned, reporting through Regional Managing Directors, or directly to the CAD.

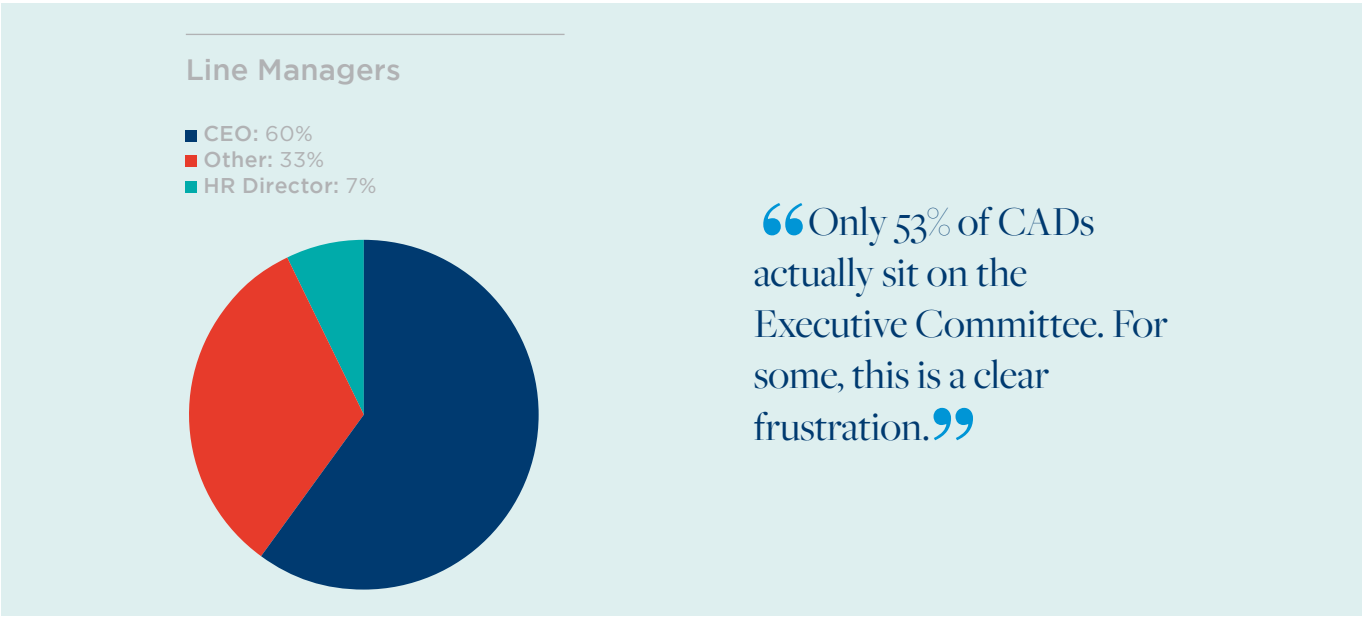
Not surprisingly, 96% of businesses have the structure to provide communication support, and reactive crisis management on a 24/7 basis.



“96% of businesses have the structure to provide communication support, and reactive crisis management on a 24/7 basis.”

Reporting routes

Of those Corporate Affairs Directors interviewed, 60% report into the CEO. This is a noted improvement on previous surveys where CADs often reported through HR or another Executive Committee member.



Interestingly, only 53% of CADs sit on the Executive Committee. For some, this is a clear frustration. They believe it is of critical importance to be ‘around the table’ from an information-sharing perspective. Not being part of the Executive Committee also affects their credibility with peers.

For others, it’s the CEO/CFO relationship that is of most importance, and, for them, perhaps being on the Executive Committee might take up more time than is actually useful.

Ultimately, the concern of the CAD is that they are consulted in any conversation about business strategy. The

high proportion of executives reporting into the CEO would suggest that this is likely to be the case.

DEMANDING TIMES

When we asked the Corporate Affairs Directors we surveyed how they are allocating time between the CEO, Chairman, their functional team and other external stakeholders, there was a notable increase in the time being spent with the Chairman and the Board

This is driven by the much higher demand for public profile and information from the CEO and Chairman of PLCs, who are having to respond to shareholders and

the general public.

Positioning of the CEO and Chairman in the public eye has become much more strategic. A badly-delivered interview, misjudged tweet or personal drama can have a direct impact on a business’s share price. One only has to scan the headlines for examples of where tech tycoons, for example, are proving this point.

CADs are finding themselves constantly consulted on wide-ranging issues including Board diversity, CEO remuneration, business risk (with current particular reference to Brexit) and sustainability/ corporate responsibility matters.

Clearly, as risk, corporate reputation and corporate governance become ever more closely entwined, this demand on their time is likely to continue.

	AVERAGE	HIGHEST	LOWEST
Chairman	6.1%	25%	0%
CEO	17.9%	35%	1%
Corporate Affairs Team	38.6%	70%	5%
Other	34.1%	90%	0%

CAD time spent with key stakeholders

BREXIT AND BRUSSELS

In the run-up to Brexit and facing such uncertainty about its terms and effects, it’s a subject that can’t be avoided.

London has always been regarded as the premium location in Europe for engaging with international media. Following Brexit, this will need to be redefined, and no doubt this will affect the structure of CA teams.

In a recent Odgers Berndtson Report on Brexit, David Webber, Head of Odgers Berndtson’s EU Practice, noted that as Brussels is the centre of EU affairs, one of the biggest challenges businesses are coming up against is how they will be represented after Brexit. Especially if there is to be a hard Brexit. If you are a British bank for instance, how will you be represented to German politicians, French politicians, European Commission officials, and so on? Accordingly, they’re thinking carefully about who

will speak on their behalf. The same holds true for trade associations. There are over 3,000 of these based in Brussels, and many are looking at their own representation.

Until now, Anglo Saxon firms have dominated the consultancy market in Brussels. However, there has been a marked increase in businesses hesitant to have UK-based firms represent them, with German and Scandinavian competitors exploiting this sentiment.

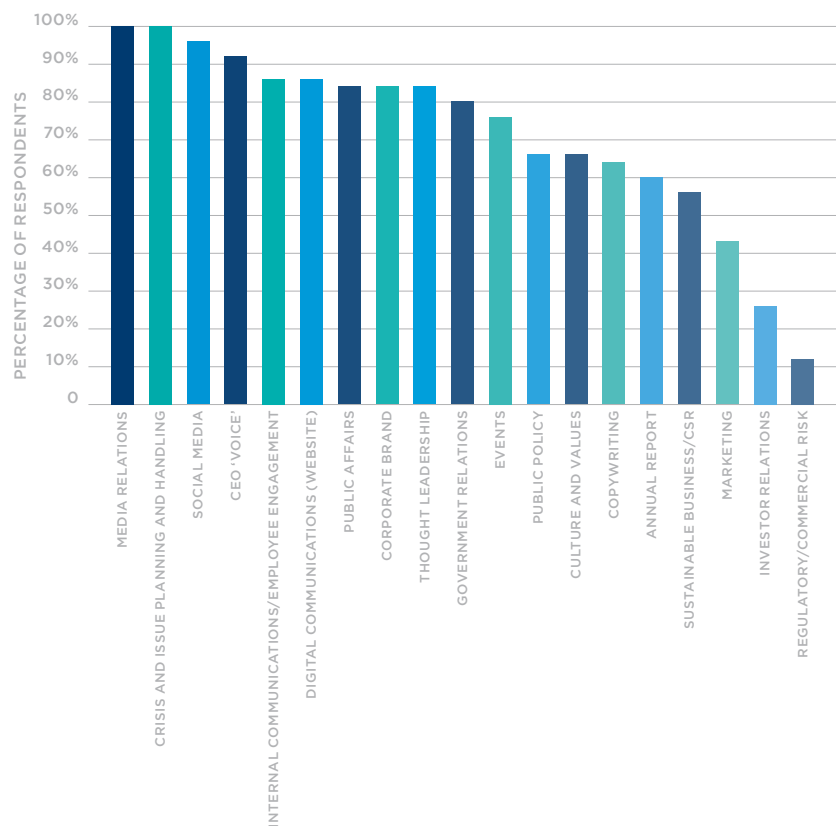
Many UK consultancies have sprouted Brexit advisory arms, providing day -to-day insight. We have also seen an increase in interim contracts being created for public affairs specialists who have particular insight into policy, and access to important networks in Brussels.

Taking responsibility

Everyone we interviewed has responsibility for media relations, crisis planning and handling. There is no doubt that this is high on the priority list for CEOs and Boards, with headline management a key performance indicator.

“Considering the supersonic speed at which a crisis can balloon, it is not surprising that social media is sitting at the heart of the most connected function in the business.”

Interestingly, 86% have overview of digital communications, with 98% responsible for social media channels. Considering the supersonic speed at which a crisis can balloon, it is not surprising that social media is sitting at the heart of the most connected function in the business. This is, however a shift from when digital communications/social media was used primarily as a proactive marketing tool, reporting into a Marketing Director, or when it was a customer services platform, reporting into operations.



One current trend adopted by number of Corporate Affairs functions is to create a 'digital hub' of experts who are responsible for proactive and reactive digital communication and social media. This hub is responsible for digital campaigns, provides advisory support to the business and looks at innovative ways to produce and share content. Some of these hubs include more technical web 'builders', as well as communicators.

The demand for authentic, CEO-driven communication has seen the use of video boom over the last few years, with CEO's using the medium to communicate to staff, investors and customers. The convergence of digital marketing and communications is set to continue with 43 % of CADs interviewed creating new digital roles in the past year.

Blurred lines

50% of those surveyed have overarching responsibility for the marketing function, with 85% responsible for the corporate brand.

The lines between marketing and communications continue to blur as the focus on content as a means to engage, influence, recruit and build the brand takes a lead over previous marketing disciplines. However, this is not the case for FMCG or strong consumer-focused businesses. Here, you are likely to find a Chief Marketing Officer who has responsibility for the corporate communications function, which is either led by a Corporate Affairs Director or managed locally in the various countries or businesses concerned.



Outside assistance

Communication consultancies have always been a critical part of the Corporate Affairs landscape. Over the last five years, there have been notable mergers, changes to structures and burgeoning specialist branches. The leading players are looking to consolidate their offering, and plug gaps in skill sets.

Interestingly, 60% of CADs we spoke with have reduced their use of consultancy support over the last five years. Businesses are taking control of the delivery of strategy, and tending to use agency support for niche advisory, or specialist services, such as advising on financial transaction or building a digital communications platform.

Internal affairs

According to those surveyed, internal communications /employee engagement is becoming an imbedded part of the CA remit, with 86% assuming responsibility. Those who do not have internal communications as part of their remit believe it restricts their ability to be successful.

“Internal communications and employee engagement is becoming an imbedded part of the CA remit, with 86% of CADs assuming responsibility.”



“When it comes to the closest peer relationship for the CAD, it was most consistently said to be the HR Director, with the CFO in second place with just 20%.”

Once a small aspect of HR, internal communications has become a strategic pillar of business, defining culture and values, providing a platform for global content and having the ability to galvanise a workforce.

Whilst internal communications / employee engagement is an exciting growth area, 40% cite it as the toughest area to hire in their team. Because of the recent, strategic nature of this specialism, there are few who have had career-long experience in doing it. Many businesses recruit from within, often from those who have worked in general management roles.

One FTSE 100 Director believes so strongly in the importance of internal communications that they have changed the remuneration structure for the function to ensure equal pay for all internal / external communication specialists. They also rotate professionals between both roles to ensure they have multi-skilled, well-rounded professionals able to respond to a crisis quickly and professionally.

Another Director has used the same job description for recruiting candidates for internal and external communication roles for the past seven years, believing there should not be distinction between the skill sets needed to communicate to the two audiences. These measures help to elevate the profile of internal communications / employee engagement, so it is seen as a valued, strategic business partner.

INVESTOR RELATIONS

It is disappointing to see that the Investor Relations function is owned by less than 30% of those interviewed. If CADs are serious about pushing for an Executive Committee seat, overseeing investor relations can be a way of demonstrating financial literacy and getting closer to strategy making. A number of FTSE 100 CADs began their career in financial communications and transactions, and claim that having a good grasp of the financial calendar and CFO function has helped them in their career.

Measuring impact



“The next career steps for today’s CAD remain largely undefined.”

A challenge for the CAD is how to accurately measure impact and effectiveness. Digital channels provide some tangible measurements, but to calculate the cost of a badly-managed crisis, or an effective government campaign, can be difficult. This is critical, however, to gain respect from peers, buy-in from the Board, and further investment into the function.

It is pleasing to see, therefore, that insight and data analytics feature highly in the list of new roles created by CADs to address the rapidly-changing communications environment. In fact, 45% of those interviewed had a member of their team responsible for gathering and evaluating corporate affairs data.

NEXT STEPS

CADs oversee one of most rapidly-evolving functions in business, one that has all the signs of continuing to grow in significance, yet 96% of those interviewed did not see an obvious next step for their own careers.

There are a few, tired examples of Corporate Affairs Directors becoming CEOs for publicly-listed companies. There are also examples of CADs stepping into the not-for-profit environment, running membership, campaigning or leading think-tank organisations. But despite these few examples, the next steps for today’s CAD remain largely undefined.

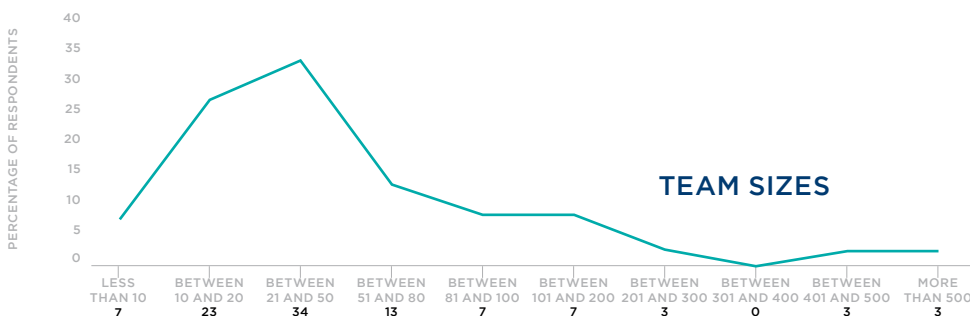
ADDED RESPONSIBILITIES

We strongly believe it is a missed opportunity for CEOs to overlook the potential of this function. CADs themselves suggested they could take additional responsibility in areas like reputational risk, investor relations, marketing, as well as strategy.

However, to gain credibility, CADs need to build a bridge to business strategy and join the fight for market share, customer loyalty, license to operate, and stock price.

The Team

Asking about team sizes brought a highly-varied response. The average size was 80, with the largest team numbering 500+ for a FTSE 100 financial services company. In contrast, the smallest size was five, interestingly also for a FTSE 100 financial services company, beautifully illustrating the variable nature of the function.



- Larger teams exist when the CAD reports into the CEO, signifying the importance of buy-in from the top for investment into the function.
- Larger teams exist in businesses which are heavily regulated.
- In businesses where teams are smaller, employee engagement sits with HR.
- In businesses where teams are smaller, IR sits with the CFO.
- In businesses where teams are smaller, agency support for the delivery of strategy has increased in the last 5 years.

REPORTING ROLES

We found that the two most frequent roles reporting directly to a CAD are the Head of Media Relations, and the Head of Public Affairs.

When we asked which role was the most critical in their team, 12% stated Public Affairs (this was mostly in highly-regulated businesses) and 40% plumped for Media Relations.

Although engaging, influencing and working with Government has long been a key element of business

strategy, the career path of the FTSE 100 CADs is still weighted towards those who have worked in communications, media relations or consultancy, rather than those who have walked the corridors of Westminster, or started their career in public service.

In businesses where there is an especially close relationship with the state (defence, energy and utilities, infrastructure) government relations sits separately to Corporate Affairs, reporting

through various members of the Executive Committee.

The salary of those professionals reporting into the CAD varies, with an average of £135,000 (base salary, not including bonus, LTIP or other cash benefits). This is notably higher in financial services, and lower in the more brand-focused, consumer-facing organisations, a similar pattern to that of the CAD role itself.

BUILDING A TEAM

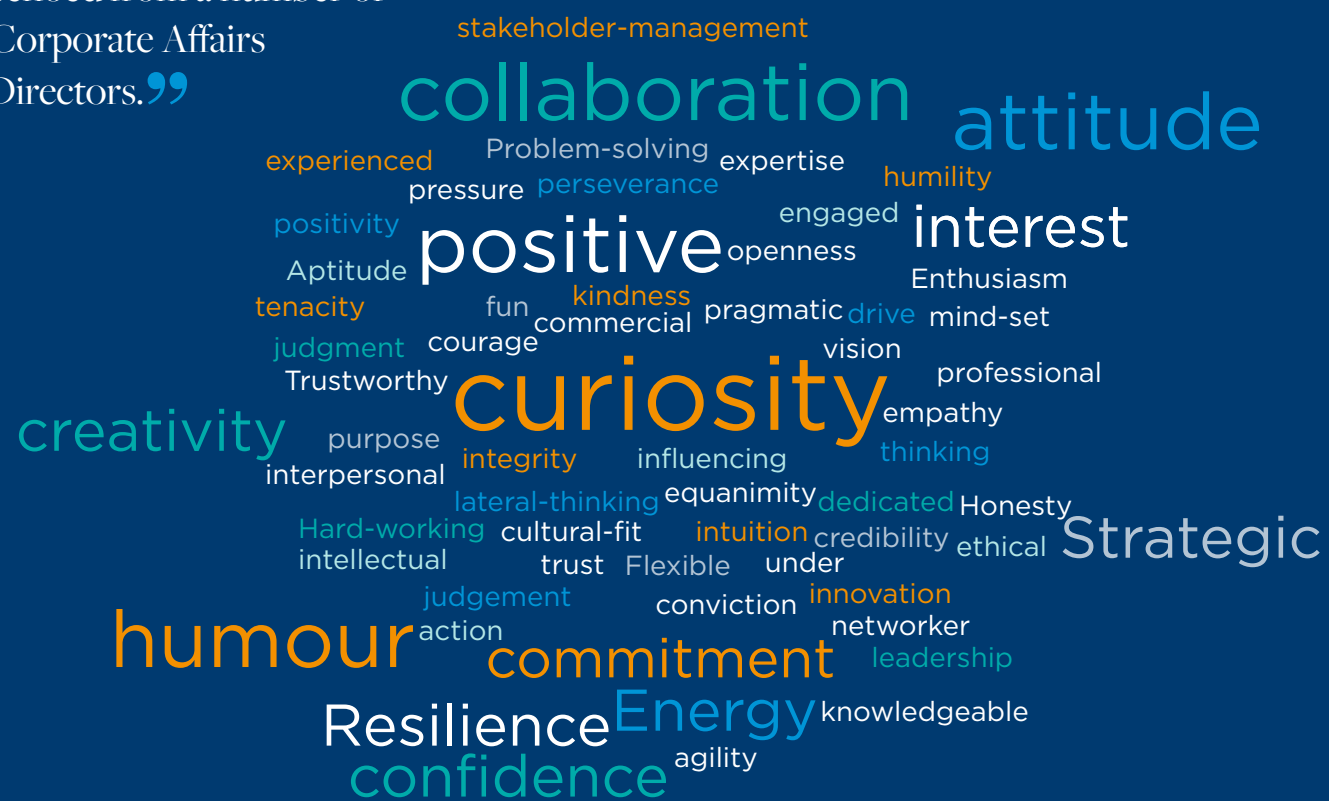
Of all those on the Executive Committee, the CAD has the broadest stakeholder group. Managing those demands relies on a rich spectrum of traits: emotional intelligence, judgement, tact and diplomacy. function.

“When building a team, CADs are interested in how individuals approach conflict, build relationships and think creatively.”

“The comment ‘too middle class, too white’ echoed from a number of Corporate Affairs Directors.”

Once a career destination for former journalists and political campaigners, candidates are now more frequently appointed from a variety of careers. Lawyers, actors, corporate brokers, psychologists, marketers, analysts and general business managers can bring new perspectives and fresh thinking. Recruiting for mind-set is not a new concept for CADs. So, when it comes to diversity, there is potential for CADs to recruit from a large and diverse pool of candidates.

Already, our survey shows that there is very good gender balance at CAD level, with almost equal representation in the FTSE 100. All those interviewed were satisfied with the gender balance in their function, with a number of directorates comprising significantly more women than men. However, over 60% were not satisfied with the ethnic diversity, with the comment ‘too middle class, too white’ echoing from a number of Directors.



In conclusion

We believe there are some best practice rules we can learn from the organisations who are leading the way in recognising and utilising the full potential of the CA function:

- Corporate Affairs needs to be placed at the heart of the business, working with all aspects of an organisation. Risk is not just a communications issue. Reputation is relevant to all departments, and all employees.
- Being a member of the Executive Committee allows the CAD to be part of strategic conversations as they happen. It also sends a message about the significance of the function to others on the Board, and in the rest of the organisation.
- It is critical that the Corporate Affairs Director has a direct report into the CEO. The relationship should be one of ultimate trust, and advisory in nature.
- The Corporate Affairs Directorate has the ability to work far more strategically than they often do. They are the connected advisors, the future gazers, the policy gurus. The CAD and the overall function must be given room to grow, and given the remit to be entrepreneurial.
- All forms of content must be owned by the Corporate Affairs Directorate, and leveraged by other areas of the business.
- Employee engagement / internal communications leaders must be respected as valued members of the Corporate Affairs Directorate, and recruited at a strategic level.



“It is critical that the Corporate Affairs Director has a direct report into the CEO.”



Making it happen

In order to make our concluding points a reality, we would make the following suggestions:

- Ensure there is structure in place to measure the effectiveness and outputs of the function. The 'Head of Reputational Risk Management and Reporting' is an emerging role, responsible for developing a systematic way to identify, assess and monitor key reputational risks across a business.
- Build strong relationships with all stakeholders internally to ensure a quick response to any crisis and to educate employees on their role in managing, protecting and enhancing the corporate reputation.
- If your business is listed, ideally the CA Directorate should include investor relations. This can be a useful way to increase the financial literacy in the CA team, provide a link between work and the share price, and build credibility with peers.
- The success of the function relies more than ever on diverse recruitment to teams, so seeking those with varied backgrounds, geographies, cultures, ages, sectors and experiences should be a priority.
- 'If you do the job, you get the job'. It is likely that there will be a continued education of CEOs and Boards on the potential of the CA Directorate. Professionals must take the initiative to demonstrate their ability to add value to wider business conversations.

In a world of growing complexity, and an often bewildering communications landscape whose very nature morphs into new forms by the day, it is inevitable that the role of the CAD can only increase in significance. We look forward to supporting the Corporate Affairs community on this journey, influencing where we can and promoting the potential of the function.

We are hugely grateful to all the CAD's who participated in the development of this report.

Whilst there are examples of business which have nimbly adjusted to change in this way, there are many which have not. Thus, the current role of the Corporate Affairs Director (CAD), the structure and responsibility of their teams varies enormously.

“It is inevitable that the role of the CAD can only increase in significance..”

If you would like to discuss any of the survey findings or discuss issues raised in this report, please don't hesitate to contact our Corporate Affairs Practice.

Your UK Team



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Head of the Corporate Affairs Practice

Hannah has been recruiting communication professionals for over 10 years. She

started her career working for a boutique marketing, communications and digital recruitment firm, and moved to Odgers Berndtson in 2011, becoming the leader of the Communications Practice in 2014. She is extremely well networked and brings fresh thinking and dynamism to searches. Hannah has written a number of articles for the trade press discussing the development of the communications department in business and the changing landscape in which it operates. She is a Trustee of the International Refugee Trust.

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Rt Hon Baroness Virginia Bottomley

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Virginia has been Chair of the Board Practice at Odgers Berndtson since 2000. She has an active interest in Corporate Communications, and the development of the function at Board level. Virginia was a member of the House of Commons from 1984 to 2005 serving successively as Secretary of State for Health and National Heritage (now Culture, Media and Sport) serving in both John Major and Margaret Thatcher's Governments. Virginia is an NED at Smith & Nephew, Chancellor of the University of Hull and a Trustee of The Economist Newspaper.

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MORE INFORMATION

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