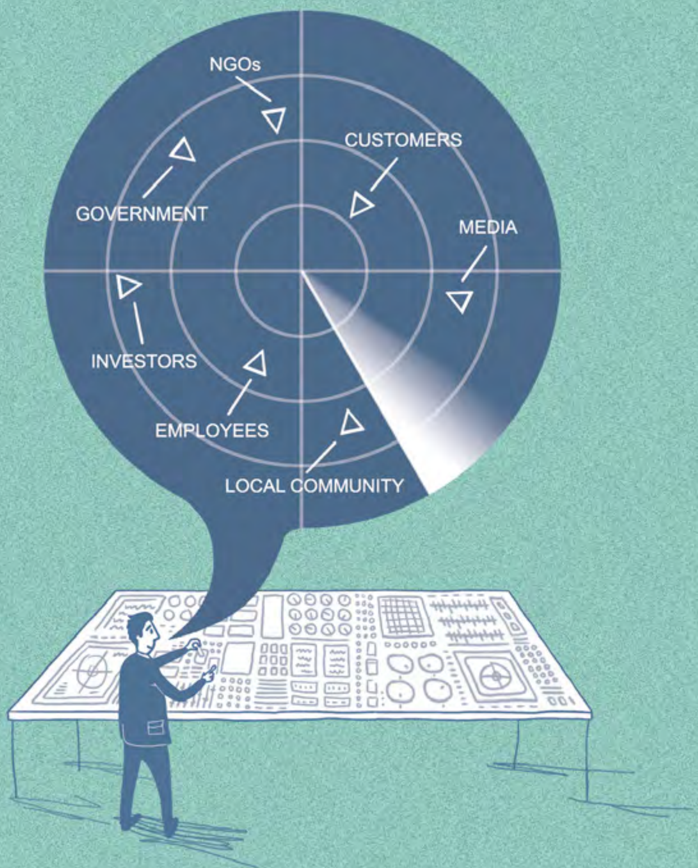
Staying on the front foot

The contribution of the corporate affairs function to the leadership of an organisation



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The Watson Helsby Reports

Acknowledgements

The content of this report is derived from a series of face-to-face interviews with corporate affairs/communications directors, chief executives and chairman from major FTSE 100s and Fortune 500 companies, as well as some experienced reputation management consultants. It is also based on our observations as specialist headhunters in the function and our ongoing dialogue with its senior leaders, in the UK, Europe and further afield.

Watson Helsby is grateful to the following who gave generously of their time to participate in this survey:

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1. Introduction

Corporate affairs is a function whose leadership (in terms of the profile of the leader) and role is still far from standardised, compared to other functions such as marketing and HR. Likewise the definition of its purpose and the understanding of its value and contribution to business success is far from universal. In many companies/sectors, corporate affairs is led by someone with a communications and/or public affairs background. However in companies operating in industry sectors that are heavily regulated, such as tobacco, it is not unusual to find it being led by a lawyer. In certain cases it may be led by someone with an investor relations background, typical of companies that view capital markets as their primary stakeholder audience.

In companies that are highly risk averse, or that are not exposed to much public or political scrutiny, the corporate affairs function (or corporate communications as it is more likely to be called) is often only truly valued in crisis situations, and its medium to longer term strategic value therefore under-utilised.

This report, which distills the findings from our conversations with the interviewees listed in Acknowledgements, is designed to provide a comprehensive analysis of the (sometimes) 'unique contribution of the corporate affairs leader and their team to the leadership of the organisation.' And, more importantly, to describe the value, commercial or otherwise, that this adds. This, we believe, is an important exercise for the reasons mentioned above – its value and contribution to business success can be both significant yet also considerably under-utilised, and organisations can be appreciably disadvantaged as a result.

This analysis is accompanied by a summary of the skills, capabilities and qualities that the function and its leadership need in order to deliver this contribution. As such this research should be used by business leaders, function leaders and HR directors when considering the type of corporate affairs/communications leadership they need, the organisation of the function itself, and capability building within it.

All the quotes used in the report are drawn from those we interviewed, but are deliberately unattributable.

About Watson Helsby

The research was devised, conducted and written by Nick Helsby. Nick has over twenty years experience of conducting corporate communications/affairs headhunting assignments. He is also the author of several research reports including 'Internal Communications – more to deliver', 'The Changing Face of Public Affairs' and 'Refining reputation – the changing role of corporate affairs in the Energy sector.'

Watson Helsby is an executive search firm that helps large organisations build or strengthen their corporate communications, public affairs and overall reputation and stakeholder management capability. We work with CEOs, MDs and HRDs to define the corporate affairs or communications leadership their organisations need as well as working with corporate affairs and communications leaders to help them build and enhance the capability of their leadership teams. At the heart of our proposition is a commitment to a structured process of enquiry, underpinned by a deep understanding of the function, the trends and issues impacting it and the way it is organised.

The Watson Helsby industry reports are designed to examine the latest thinking, practices and issues in the disciplines into which we recruit. In so doing, they provide a contemporary view of the direction in which specific roles are evolving as well as the competencies that leaders of these disciplines require to be successful.

2. Nomenclature

Since corporate affairs can mean different things to different people/organisations it is important to be clear what we mean by it. For the purposes of this research we are assuming a remit akin to that found in many FTSE100s which will include the following:

- Corporate communications
- Corporate and financial media relations/PR
- Public/government affairs and policy
- Issues and crisis management
- Internal communications
- Stakeholder relations (other opinion formers, industry associations, think tanks, NGOs etc)
- Corporate responsibility
- Corporate brand
- Consumer and brand PR (if consumer facing).

In some organisations this might be labelled the (corporate) communications function, since corporate affairs and corporate communications have become increasingly interchangeable. However corporate affairs tends to denote a broader stakeholder remit and the management of a broader range of issues.

For convenience and simplicity, we have used the acronym DCA (Director of Corporate Affairs) throughout the report, other than in the Executive Summary.

3. Executive summary

Most organisations operate in a multi-stakeholder environment that is a lot less benign than it was, and within a communications and media landscape that has been transformed and revolutionised over recent years. Together they have made the task of leading a business and delivering business success considerably more difficult. An increasing proportion of CEOs will vouch for the fact that, as communicator-in-chief in a digitally connected world, communications and stakeholder engagement takes up an ever increasing proportion of their time, and that the digital, social and 24/7 rolling news environment means more stakeholders and more issues; these are more complex, more frequent, quicker to escalate and consequently more difficult to manage.

In this context notable developments include:

- Media coverage of the financial crisis and other corporate scandals has made people much more aware of the behaviour of companies and institutions. This has been encouraged and fostered by government, political parties, regulators and the NGOs. As a result, trust in big business has deteriorated, and there is an expectation of greater transparency as well as an increasing pressure on companies to articulate the positive role they play in society.
- The impact of social media which has a) created new stakeholder groups and virtual 'communities of interest', many of which have already gathered a considerable following, b) fostered a greater sense of empowerment amongst stakeholders and particularly employees, c) enabled stakeholders to connect and to form coalitions and lobbying groups d) given stakeholders a platform to get their opinions heard and e) increased exponentially the amount of information – accurate or not – that's available about a company.
- Increasing intervention from governments and regulators the world over has seen a significant impact on many businesses, on their business models, their licence to operate and their ability to plan for the future. This has been accompanied by a distinct mood-change in the way in which governments and politicians interact with businesses. They have begun to act as a commentator so a business can find itself on the end of often quite critical commentary proffered by members of the government.
- The increasing intersection of business, politics, media and society has created new dynamics and stakeholder inter-relationships. This has resulted in the blurring of the lines between traditional 'corporate' and consumer stakeholders and underlines the importance of a joined-up, integrated approach to corporate and consumer communications. Organisations need the capability to manage situations where public opinion about an issue quickly translates via social and traditional media into political rhetoric, regulatory enquiry and then action against an organisation or a sector.
- The global nature of news, coupled with new technology, has led to a situation where small issues and a minor localised incident can quickly cross borders, build scale and escalate into a global reputation issue within hours.
- Today's business leaders have a much higher profile – whether courted or not – and are subjected to much greater scrutiny, especially when things go wrong. This profile, whether good or bad, is likely to influence the opinion that stakeholders have of a particular leader and may, by association, colour their judgement of the company they lead.

CEOs, executive teams and boards increasingly regard a detailed understanding of the mood, opinions and intentions of external stakeholders, as well as the issues that are relevant to their organisation, as a critical part of the business context – who they are, which ones matter, where they are coming from, the broad array of issues that are driving them and why, their expectations, their end game etc. They want reassurance that these stakeholders, their issues, the relationships with them and the reputation and business risk they represent are being managed systematically and with the same rigour as any other business challenge. But they also recognise that the effective management of stakeholders and reputation is a source of competitive advantage as well as risk.

A similar dynamic is evident in an organisation's internal environment. Employees are no different to external stakeholders in that, to gain their trust and engagement, they need to be understood, engaged and communicated with. And again, like external stakeholders, their opinions are being shaped by a far wider and increasingly fragmented number of external influencers. Younger employees in particular hold strong views and expectations regarding the culture, values and behaviours of the organisations where they work.

Strategic investment decisions and other business and operational initiatives are likely to be more successful if they are informed by, and a factor in, the external environment and broader reputation considerations. This includes customer and stakeholder mood and expectations as well as business intelligence that helps quantify the reputation risk implications of strategic options. Equally a corporate strategy is likely to be more successful if an organisation has the capability to help shape and influence the external environment in which it operates; along with the capability to ensure that employees at very least understand it, and at best, are motivated to deliver it.

The value of the corporate affairs director and their team lies in their understanding of the external environment and their skill in identifying and analysing the risks, issues and opportunities within it. The benefits of this to an organisation are twofold:

i) It helps the organisation make better decisions by showing business leaders the potential downside of certain strategic options and helping them appreciate the unintended consequences of these actions. In so doing the corporate affairs director can help provoke discussions that might not otherwise be had.

ii) Create and develop the relationships and campaigns that will help shape the external (and internal) environment in a way that creates a more favourable operating environment, thereby advancing the interests and prospects of the organisation.

Any organisation that operates in a complex multi-stakeholder environment therefore needs a strong corporate affairs leader, who is either a member of the ExCo or in attendance, and who is empowered to be a key contributor to the strategic process which a) produces better decision-making and more informed risk-taking b) helps create the conditions for business success and c) creates value and delivers competitive advantage.

With their 360° perspective of both the external environment and the inside of the organisation, they have a role that is part consigliere, part enabler, part driver, part advocate, part relationship manager and part creator, a role whose contribution can be summarised as follows:

- Driving the development of, and then communicating, a corporate narrative that resonates across stakeholder groups, both external and internal. This is indispensable when it comes to managing stakeholders effectively and driving operational focus.
- Bringing the outside world in – ensuring that a holistic view of the outside world is brought into the organisation that then helps business leaders understand how the organisation is perceived through the lens of stakeholders. The corporate affairs director should also help synthesise the themes and issues in the external environment and ensure that these are factored into the business and strategic planning process. CEOs and executive teams increasingly regard the corporate affairs director's 360° perspective as an important counter-balance to the instinctive tendency to introspection.
- External relations – building and managing strong and reputation enhancing relationships with an ever-shifting web of stakeholders, ensuring that their agendas and interests are understood. Also ensuring that the organisation takes a holistic approach to this undertaking, since to varying degrees they are inter-connected and influence each other.
- Providing advice on the positioning, presentation and timing of business initiatives, product launches etc so that they are better received (particularly by the media), thereby enhancing the likelihood of success.
- Identifying and developing campaigns, partnerships and relationships that grow reputation and foster a more favourable operating environment.
- Influencing policy and regulatory issues and other barriers to growth that have an impact on an organisation's commercial ambitions and licence to operate.
- In partnership with other senior executives helping define strategic risk for the organisation, advising on best practice in reputation risk oversight, governance and engagement and bringing stakeholders' issues and expectations to the leadership's attention before they escalate into reputation issues or commercial obstacles.
- Building and managing constructive stakeholder relationships across the organisation and ensuring that the way in which an organisation engages and communicates with stakeholders is consistent (tone of voice, messaging and narrative, behaviours) externally and internally.
- Ensuring that corporate behaviours and values are aligned with each other and also aligned with stakeholders' expectations. Identifying and helping rectify any gaps and discrepancies.
- Helping CEOs and leaders speak in a clear and straightforward language to employees and develop and drive the delivery of an iterative two-way dialogue that helps employees at all levels understand the goals and direction of the organisation.
- Ensure that the organisation has a plan for dealing with a crisis, that this is understood and that key people are motivated to deliver it and ensuring that the plan is frequently tested.

Our research also confirms that in addition to the above, many corporate affairs directors are being asked by their CEO to act as a sounding board as well as a barometer not only of sentiment in the external world but of the wider organisation's mood and preoccupations. Amongst other things this involves coaching the CEO on aspects of their presentation, messaging and communications style as well as providing advice and feedback to them on their impact, standing and reputation. The corporate affairs director is a natural choice for this role because they don't covet the CEO's role and because of their exposure to such a wide array of stakeholders, which gives them a more rounded and dispassionate perspective on the organisation and its management team.

Today's corporate affairs leader is being asked to exhibit a rare set of intellectual, creative, commercial, influencing and advocacy skills. These capabilities and skills we investigate in greater depth in the report but include the following:

- *Judgement* – this concerns the ability to balance a sound commercial understanding of the needs of the business and its strategic priorities with the reputational risks and stakeholder issues inherent in the external environment. Additionally many of the judgement calls that the corporate affairs director has to make are high stakes in that they have the potential to have a positive (if called right) or negative (if called wrong) impact on reputation and the business itself. Senior executives, particularly, must trust the corporate affairs director's judgement because of the commercial compromises that are sometimes involved in longer-term reputation management considerations.
- *Courage and independence* – some of these judgement calls, which will sometimes entail looking at decisions from the perspective of the outside world and through the lens of stakeholders, require the courage and nerve to say things to executives that they don't want to hear (remuneration being a classic example). It also requires an independent and dispassionate view of the business and its behaviours and activities that can sometimes set the corporate affairs director apart from their senior executive peers.
- *Leadership* – the functional leadership skills to build, organise and lead an effective and high performing 'fit for purpose' multi-skilled team, combined with the stature to be a leader in the business, an equal to their senior executive peers.
- *Business understanding and financial literacy* – the level of operational knowledge, commercial understanding and financial literacy to make a contribution beyond one's remit and to influence decisions spanning the whole business. A fluent command of the financial and operational language the organisation uses is equally important.
- *Measurement and analysis* – the ability to quantify a return on investment in the function, to provide a more rigorous and sophisticated analysis of reputation and political risk, along with the capability to support arguments, insights and recommendations with the language and data/analytics that are used and get traction and respect at board level.

- *Creating alignment* – building consensus and creating alignment behind messaging and policies across an organisation (especially one with global operations) as well as ensuring that an organisation interacts with its stakeholders in a consistent manner is very much a leadership capability, particularly in cultures that do not operate on a command and control basis.
- *Advocacy skills* – the corporate affairs director, and their team, are advocates for their organisation which means an important part of the role is to sell their organisation to their key stakeholder audiences. In common with a sales function, they need to be able to read the 'customer', build relationships that benefit the business, present a convincing (and credible) story and persuade the audience of the advantages and merits of their proposition/business case.
- *Joining up the dots* – an ability to understand and anticipate the complex interplay and inter-relationships between different stakeholders, particularly important in today's connected world where they can, and often do, collude and act in concert. In consumer facing organisations this brings into play an additional capability – a more in-depth understanding of consumers' thinking across a spectrum of issues and how to effectively engage with them on all manner of issues and programmes. The corporate affairs director and their team must understand how key issues and stakeholders join up and, with this understanding, form a cohesive picture of the external environment, focusing on what is important and what it means for the organisation, and how best to holistically manage and influence it.
- *Intellectual agility* – today's corporate affairs director will not be able to operate at the most senior levels of an organisation without considerable intellectual agility. They need both the ability to synthesise analytical insight (the traditional language of business leaders) and to cut through complexity as well as the intellect to play a greater role in strategy development.
- *Campaigning skills* – predicated on the political campaigning model and used to great success by NGOs and other campaigning groups, and now increasingly being adopted by business.
- *Emotional intelligence* – in a role that involves a more than average amount of relationship building and communicating, this is a key quality, particularly as it is often in short supply at senior executive level. It is a quality that is often valued by CEOs who increasingly appreciate that the ability to empathise with the mood and needs of stakeholders, and respond accordingly, is important for reputation.

This is a demanding candidate specification, as recognised by the CEOs and Chairmen we spoke to, and raises the question of how many aspiring corporate affairs directors are able to exhibit the breadth of skills, qualities and capabilities that the role increasingly demands. Is the talent pool there or will companies have to consider looking outside the function? And if so where? Our view is that there are some very strong practitioners but that it can only benefit the function if a wider range of skills and capabilities were brought into it. Marketing, strategy, risk, HR and legal are all competencies that might strengthen the corporate affairs function in different ways, add to its talent pool and provide an alternative career path for those from outside the function.

However, it is also important to note that not all organisations need such a multifaceted corporate affairs leader. Though there are certain core competencies and capabilities that most corporate affairs directors will be expected to possess, the precise mix of skills and capabilities that are required will vary enormously from organisation to organisation. They will depend on, among other things, the reputation of the organisation, the characteristics of the market, management's strategic priorities and the disposition of the CEO.

Whatever a particular organisation's specific requirements, identifying precisely what blend of capabilities a corporate affairs director requires demands a rigorous and impartial audit of the company's existing corporate affairs resources against its current and future business priorities. Existing assumptions about the corporate affairs director's role need to be forensically tested and, where necessary, challenged.

There is no universal blueprint for the corporate affairs director but the cost of an ill-judged hire can be high, so identifying the type of corporate affairs leadership and capability an organisation needs is critical. The process of finding the right candidate for a particular organisation must be managed with the same evidence-based discipline as any other major commercial decision. With this in mind, we hope you find this research paper useful food for thought.

4. The contribution of the Corporate Affairs function to the leadership of an organisation

The first section of this study examines the distinctive, if not sometimes unique, contribution that the corporate affairs leader, and their function, makes to the leadership of an organisation; what it is they do, that other leaders/functions in an organisation lack the expertise to do, that helps an organisation be more effective and successful?

With the help of interviewees, we have distilled this down to the following. Though they are not totally discrete and there is some overlap between some of them, they are all distinctive and important in their own right:

4.1 Creating the narrative around strategy & purpose

4.2 Bringing the outside world in

4.3 Growing reputation, shaping opinion & creating the conditions for business success

4.4 Identification & management of reputation risk

4.5 Building high quality stakeholder relationships

4.6 Building trust & managing societal expectations

4.7 Curator of corporate character

4.8 Consistency, integration & coordination of communications across the organisation

4.9 Employee dialogue & insight

4.10 Consigliere & sounding board

4.11 Crisis and incident management

4.1 Creating the narrative around strategy & purpose

Why it matters:

Organisations need a narrative that resonates across different stakeholder groups, both internal and external. Something that pulls together 'who we are, what we stand for, how we do business, how we are doing, where we are going etc,' in a way that is motivating, differentiating and provides clarity around ambition and purpose. One CEO who we interviewed said that an organisation, and particularly its CEO, has to be able to tell a compelling story, a story that will successfully articulate the purpose/vision of the organisation, its DNA, its assets, as well as its strategy and performance in a way that is easy to grasp. A narrative, in his view, is indispensable in managing stakeholders effectively and driving operational focus.

"We developed and communicated a narrative which is less about the brand and more about waste, water and the environment and it changed the lens through which people looked at us. It also signalled that we were listening to our stakeholders."

With technology increasing everyone's access to information about an organisation, a narrative must not only be manifestly true and authentic, it has to be presented consistently across all platforms.

It's not a 'nice to have', it's critical for a number of reasons including:

- The process of developing a narrative helps to secure alignment at Board and Executive team level. It therefore helps reduce the inevitable internecine battles between senior internal stakeholders over what the core narrative and messaging should be.
- It provides a framework within which everything an organisation does – its decisions, its activities, its behaviours, its communications – must fit. Thus it helps create focus and acts as a filter.
- Employees will be more motivated and productive if they are aligned behind a single, meaningful purpose and vision that they can understand and relate to. Recent research by the CIPD showed that managers who are motivated by their organisation's core purpose are less likely to be looking for a new job compared to those who are not.
- It should become a core part of the employer brand and will help attract and retain talent.
- It will form a key component of the investment case and should enhance it – investors and analysts want something broader and more captivating than a numbers-based story.

It is important that the narrative is developed from the bottom up and stress-tested at different levels of the organisation before being signed off by the executive team.

The role and contribution of the DCA and their team:

- A narrative, though co-created in the way described above, has to be driven and facilitated by the DCA. This is because the DCA, probably more than anyone else on the ExCo, is acutely sensitised to the need for the narrative to be authentic and, ideally, compelling, in order for it to get traction with both internal and external stakeholder audiences.
- Helping the CFO and the investor relations team, who tend to be more inclined to craft a numbers-based story, develop the narrative for the financial markets.
- Ensuring that the narrative joins up and holds together across the organisation and across internal and external audiences.
- Communicating the narrative to stakeholders, making sure it does get traction with them, and for providing feedback on the reception it is receiving amongst stakeholders.
- Keeping the CEO and senior executives 'on narrative'. This aspect of the role is akin to the 'continuity supervisor' on a film production, since any inconsistencies or disconnect with the overarching narrative have to be identified, flagged and corrected.
- Monitor developments, both internally and in the external environment, which may require an adjustment to or refreshment of the narrative. No other senior executive can bring this 360° perspective.

4.2 Bringing the outside world in

"The DCA is a barometer of sentiment around the business. The role is more outward looking than any other, making judgements about what is important, where the trends are and contextualising and calibrating what is being said externally about the business."

Why it matters:

The majority of organisations are inward looking and tend not to always consider how a certain initiative or decision will look to the outside world. There is a very important aspect of the DCA's role (and that of their team) which involves bringing the outside world in and pointing out how something will look to, and be received by, the outside world; and to highlight the possible (and sometimes disastrous) unintended consequences of a particular course of action. In so doing the DCA can help provoke discussions that might otherwise not be had.

It is generally agreed to be the most important contribution that the corporate affairs leader and their team makes to the leadership of an organisation. It is a contribution that helps ensure that reputation considerations and stakeholder expectations are integrated into most areas of strategic and operational decision-making.

"Although strategy has to fit the business and its priorities, it also has to be cogniscent of the external environment."

The 'outside world' includes the media, politicians and governments, lobbying organisations, regulators, investors and analysts, issue and consumer groups, NGOs, inter-governmental organisations, the increasingly influential online stakeholders (bloggers, citizen journalists, online communities), industry associations, think tanks and commercial partners. Their support and goodwill are a crucial prerequisite of business success. Social media has provided some of them with a platform that they previously did not have to get their voice heard and it also provides opportunities for them to connect and coalesce around issues of mutual interest.

There is no doubt that CEOs and Boards increasingly regard a detailed understanding of the mood, opinions and intentions of external stakeholders as a critical part of the strategic jigsaw. Several DCAs we spoke to confirmed that the area where business, politics and society intersect has enlarged and created new dynamics and inter-relationships that companies have to understand, manage and anticipate. In today's connected world, where stakeholders are wont to collude on issues of shared interest, coalitions and campaigning groups can form overnight. Public opinion about a certain issue can quickly translate via social and traditional media into uncomfortable headlines, political rhetoric, regulatory enquiry and then action against business. Misjudging the political and public mood, failing to engage with the right audiences at the right time, or failing to respond appropriately to stakeholder concerns can ultimately result in unwelcome scrutiny and potential value destruction.

One DCA we interviewed, whose company was unable to convince regulators to approve a transformational merger, said that a big lesson had been learnt about the importance of effective and early engagement with government and regulators. One of the chairmen we interviewed observed:

"CEOs must be cogniscent of the issues relevant to their organisation and really understand the political context in which they are operating and, therefore, need people who provide very good advice about how to engage and communicate with policy makers."

The corporate affairs function, more than any other, operates at the interface of the company and many of its external stakeholders. It acts as the focal point for the integration of much of the external environment into the business, ensuring a more holistic view of the world is brought into the organisation. The stakeholder (and issue) knowledge and insight that resides within the function enables the DCA to advise on a number of factors – where stakeholders are coming from, their expectations, their mood, the broad array of issues that are driving them and why, their end game etc.

Possessing the antennae and relationships that help gather and evaluate this information is not enough. What the function and its leaders have to be able to do is to make sense of these themes and, with the help of robust data and analysis, synthesise them in a way that is meaningful to the business, and which will make a valuable contribution to strategic debate within the organisation.

"Understanding what is happening out there, making sure the business plan is not full of things that are going to get shot at and outlining the possible unintended consequences of decisions."

This is important because executive teams can be introspective and don't automatically factor in the external environment (though they may factor in the customer) when considering strategic choices and commercial priorities. As one chairman we spoke to observed:

"Companies are notorious for being inward looking."

These decisions have to be taken 'in the round' and this 360° perspective is an important counter-balance to some companies' instinctive tendency to introspection. It is a perspective which can help prevent decisions or actions that may damage reputation or that are inconsistent with values or with vision and strategy that an organisation has previously communicated both internally and externally. Such inconsistencies can easily damage reputation and credibility, because they erode trust (the 'you say one thing, but do another' syndrome).

The role and contribution of the DCA and their team:

The CEOs and DCAs we spoke to highlighted four crucial aspects of this perspective and vantage point:

- It helps business leaders understand how they are perceived through the lens of the stakeholders. As one CEO we interviewed remarked, 'we need to know how we look to the outside world'.
- Provide advice on the positioning, presentation and timing of strategy/initiatives/announcements to the outside world, so that they are better received and negative reaction minimised. The value of the DCA and their team is in being able to judge and understand 'how things might land or might play out'.
- Helping an organisation make better decisions – business strategy has to factor in and be informed by the environment in which it operates. By ensuring this happens, the DCA can help business leaders see the potential downside of certain strategic options and appreciate the unintended consequences of these actions. In some of the companies we spoke to the corporate affairs function has the recognised capability to make an earlier and more significant contribution to strategic thinking and business planning, by using potential reputation impact and the external/stakeholder perspective to stress test strategic options and to challenge fundamental business assumptions.

  "Senior managers do not think about the impact on stakeholders, they just think in their silo. We need to challenge them and ask them whether they have built this impact into their risk assessment."

  On occasion this perspective may even stop a decision or course of action, particularly if the consequences of going ahead are likely to hurt reputation or receive a hostile, and avoidable, reception from certain stakeholders. In such situations the onus is on the DCA to make a convincing argument to support their case. It is also incumbent on them to present an alternative solution, as the following quote aptly illustrates:

  "We should be the facilitator of what executives want to achieve, and not a buffer, which means finding solutions to issues that are likely to come up. We don't add anything if we flag issues without producing a proposal to address them."
- It can help map the interconnections of different stakeholders and, by scenario planning, enable the organisation to see what might happen if two (or more) ostensibly oblique ones started working together in concert.

4.3 Growing reputation, shaping opinion & creating the conditions for business success

Why it matters:

Strong and enterprising leadership from the corporate affairs function can help create the conditions for business success by proactively shaping the external and internal environment in a way that helps advance the interests and prospects of the company. If the function is not being used to do this, or if it lacks the capability to do this, then its value is not being utilised to its full potential. There are numerous examples where this capability can make a significant contribution to creating the conditions for business success, but to highlight two of these:

- It can help shape debate or opinion on issues that affect both an organisation's reputation and its commercial success, both by campaigning and building relationships with key influencers and opinion formers.
- Resolving anti-trust issues and securing M&A approval, both critical in enabling a company to pursue its growth agenda, are often in the hands of politicians and regulators who have to consider the implications of consolidation within an industry sector. So early and effective engagement with these stakeholders (and those that influence them) is critical, yet it is surprising how many companies fail to understand this, and bring the corporate affairs leader into the process at too late a stage.

The corporate affairs function must have (in most organisations) the capability and leadership that can help change the way an organisation and its strategic ambitions are perceived by key stakeholders.

By so doing it can a) create favourable impressions and help recruit friends and allies b) help secure advantageous policy and regulatory outcomes c) keep legislators and regulators at bay and d) create goodwill and trust. All of which undoubtedly create value and competitive advantage and maintain/extend the licence to operate.

The function however is not always used this way or indeed skilled to do so. In more risk averse organisations it tends to be regarded as a function whose purpose is to protect, defend and manage reputation, rather than to proactively grow it and leverage it as an asset to create value. And, as the old maxim goes, 'you can't defend yourself to success.' A defensive, risk management-driven approach to stakeholder communications and engagement is unlikely to create opportunities to advance the interests and prospects of a company.

The corporate affairs function brings a number of 'assets' that can have considerable strategic value to an organisation including:

(i) Relationships with media, governments, consumer groups, capital markets, NGOs and other opinion formers, coupled with insight into what matters to them.

(ii) A deep understanding of their influence, inter-relationships and agendas.

(iii) The importance of certain issues and how these get traction in the media.

The role and contribution of the DCA and their team:

- Identify and develop initiatives, campaigns, partnerships and relationships that will help grow reputation, foster a more favourable business environment and climate of opinion (towards the organisation), and strengthen the licence to operate.
- To break down the silos, both within the function, and with other key functions such as marketing, that prevent an integrated multi-stakeholder, multi-channel approach to the development of campaigns designed to shift or shape public and/or political opinion.
- Ensure that reputation building initiatives and campaigns are aligned with the vision, narrative and capabilities of the organisation and reputation it wants to promote, and that they help address the expectations of stakeholders and broader societal concerns.
- In those companies that have government or the public sector as a key customer, corporate affairs, or specifically public affairs/government relations, can help build relationships with, or influence the relevant procurement functions and/or multi-lateral funders.
- In certain sectors corporate affairs can help open markets and support the market access teams. Supporting the business development process by helping unlock longer term growth opportunities and helping develop a longer term licence to operate is an aspect of the role that creates clear commercial opportunities.

4.4 Identification & management of reputation risk

Why it matters:

In this day and age almost every conceivable risk contains some element of reputation risk – and reputation risk is often the consequence of failure or error in more conventional risk categories. As one commentator remarked, it should be treated as the "risk of all risks." Most of the DCAs we interviewed observed that reputation risk is the biggest non-financial concern of Boards, who increasingly expect and need an assessment of 1) the likelihood of risk, 2) the impact of the risk and 3) the ability of the organisation to manage and mitigate the risk. A recent Deloitte survey, 'Reputation@Risk', revealed that reputation is now rated the highest impact risk area by CEOs.

This is a big challenge for global organisations, with dispersed operations and diverse and multi-cultural workforces, multifaceted issues and stakeholders, who have to collect information about reputation issues and threats across the organisation.

Although this is an organisation-wide responsibility and the concern of all of the leadership, the DCA has a vital and pivotal role to play in driving this process, developing frameworks and systems and embedding both awareness and capability. This is because of the unique vantage point and perspective it has – sitting at the interface of the external and internal worlds – that enables it to identify many of the potential risks to reputation within the external world (e.g. stakeholder sentiment and political risk) as well as the potential reputational impact of inadequate processes and systems internally, poor customer service, product liability and inappropriate behaviours within the organisation.

With more and more risk factors originating outside an organisation the value of an effective corporate affairs function is in its antennae, relationships and monitoring systems that enable it to act as an 'early warning radar', scanning the horizon for and forecasting potential reputation and political risks and issues. The challenge for corporate affairs teams, and this is an area where external partners are trying to develop IP for their in-house clients, is in identifying diverse data sources that can be used to extract early warning signals about reputation, both from inside and outside the organisation. This is crucial, and the credibility and value of the function depends on it, since it must have the capability to pick up and recognise the signals from an early stage along with the capability to weight these in terms of potential cost/damage to the business; develop scenarios for such an event and ensure the business is ready and prepared to take the necessary steps to mitigate the risk or exploit the opportunity (i.e. develop a campaign of action). It is not just about managing the downside, equally important is the capability to identify opportunities that might be a source of competitive and/or reputational advantage.

The DCA must also be fully informed about developments within and across the business, where potential issues and risks exist and operationally empowered to influence them. In this respect strong internal relationships with functional and business unit heads are critical. One of the key challenges here is that managers of business units/countries, who are in a better position to spot potential challenges, often lack an understanding of what represents a potential reputation risk, along with the knowledge and skills to assess it and respond appropriately. In this context several DCAs spoke of the need to 'operationalise' reputation management by driving responsibility and accountability for reputation management down into the business(es). This requires training and education and changes to relevant managers' KPIs, along with CEO/HR sponsorship, otherwise it will not happen.

The role and contribution of the DCA and their team:

- Help define strategic reputation and political risk for the organisation.
- Advise on best practice in reputation risk oversight, governance and engagement.
- Identify and report on potential risk of media, political, City, NGO and other opinion former agendas as well as broader societal opinion which will sometimes influence these agendas.
- Develop leading indicators and ensure there is a useful and actionable flow of reputation and stakeholder related information to the top of the organisation so that leaders are armed with the right intelligence to make decisions and take action.
- Enhancing the provision and analysis of business intelligence around reputation – developing robust methodologies and systems to identify, track and monitor reputation risk to complement its traditional, intuitive strengths.

- 'Operationalising' reputation management within day-to-day decision making and embedding more of a reputation mindset throughout an organisation. Working with HR and business unit leaders to provide training and toolkits that will help improve enterprise-wide reputation risk management capability.

  "We've spent quite a lot of time in making sure that our senior leaders, whether they're the CEO in London or the General Manager in Nairobi, really understand the political context in which they're operating. We've had to increase the capability of the managing directors, so that they are able to look at reputation and political risk as part of their everyday role as managers of the business. They've got to be just as good on this as they are on the sales figures or on the HR and talent issues."

4.5 Building high quality stakeholder relationships

Why it matters:

The quality of its relationships and relations with stakeholders is a key strategic asset, as well as a source of business risk and opportunity, for any organisation. As above, Boards, and specifically non-executive directors, are increasingly looking for reassurance that these stakeholders, and the reputational risk/opportunity they represent, are being managed systematically and with the same rigour as any other business activity.

If these external relations activities are managed with professionalism, intelligence and empathy they will create goodwill and trust, help neutralise negativity as well as increase the likelihood of favorable opinion, judgements and decisions (by the authorities). All of which help protect, if not grow, licence to operate. It is also worth noting that these relationships can also be a source of valuable intelligence.

The manner in which stakeholder relationships are managed can speak volumes about an organisation, its values and its personality and will inevitably influence stakeholder perceptions and attitudes, as any journalist will confirm. Also critical is a consistency of stakeholder experience when dealing with an organisation, be it cross-function, across business division and across geographies, as this following quote aptly illustrates:

"I've some experience of building excellent relationships with media and government in Westminster or Edinburgh, only to find that supply/ops colleagues or sales colleagues saw their role to beat up their own stakeholders in the same geography. These people were then somehow surprised when the press coverage or Whitehall gossip about their actions was negative."

Although these relationships are not the sole preserve of the function, the CA team is normally responsible for a number of key stakeholders including media, government and politicians, analysts and investors (sometimes), NGOs, consumer groups, think tanks, inter-governmental organisations and other opinion formers.

The role and contribution of the DCA and their team:

- To identify key stakeholders and understand their interests and assess/weight their significance.
- To understand their agenda(s) before building and managing these relationships.
- To encourage the organisation to communicate and engage in a manner that is honest, transparent and helpful. Acquiring a reputation for covering up bad news, or for being very economical and tactical with the truth, is difficult to shift once gained.
- To ensure that the way in which the organisation engages and communicates with stakeholders is consistent (tone of voice, messaging and narrative, behaviours). The more touch points there are, the more challenging this is.
- To develop an engagement strategy and respectful dialogue with stakeholders who may be openly and vocally hostile. Though stakeholders in this category may never be openly supportive, through constructive listening and greater understanding, it is possible to neutralise the negativity and its impact on reputation.
- To identify new stakeholders and third parties with whom an organisation should build relationships (for instance whose support they may need in the future).

4.6 Building trust & managing societal expectations

Why it matters:

As mentioned earlier in the report, trust in big business and capital markets has diminished, leading to a general climate of public disenchantment and cynicism about business, its motives and purpose. As a result big multi-nationals are under increasing pressure to articulate and defend the positive role they play in society. The focus, form and fora of that scrutiny may vary according to the company/sector and the perceived nature of its impacts on and interactions with society. However the examples of Starbucks, Google and Amazon, all dragged before Parliament's Public Accounts Committee over their corporate tax affairs, shows that even the most popular of corporate brands are increasingly being subjected to close and hostile questioning about their role in society.

Whilst the notion of having a higher social purpose is not new, the pressure on companies to articulate how they create shared value is gathering momentum and entering the mainstream. There is no shortage of research that shows consumers seek brands that demonstrate meaning beyond just the brand or product itself and consumers, and other stakeholders, are increasingly holding brands to account for what they do (and not what they say).

The role and contribution of the DCA and their team:

- Mapping and tracking – often with colleagues in Sustainability – which issues matter most to those that matter most and assess how the business is performing against these expectations vs its peers and competitors.
- To play a key part in defining, articulating and operationalising the social purpose and ensuring that the organisation stays relentlessly focused on it. There will be no let-up in scrutiny once it has been made public.
- To provide leadership of the building trust agenda and to guide and refine this with the stakeholder insight and intelligence at their disposal.
- To develop campaigns and thought leadership platforms/initiatives that will help build trust and authenticity and that will reinforce the social purpose narrative.

4.7 Curator of corporate character

Why it matters:

Employees and other stakeholders are more inclined to follow brands and leaders if they respect and relate to their values. It therefore follows that companies that maintain cultures of trustworthy behaviour – those that are perceived as 'doing the right thing' – 'bank' trust and respect over the longer term and get the benefit of the doubt in times of difficulty. It comes back to the 'how we do things around here' principle. This is symptomatic of character and personality, something that can be easily forgotten if it is not embedded in an organisation. But in companies with multi-country operations, where individual countries/regions can have different interpretations of values and behaviours, this can be an undertaking of considerable magnitude.

"Our US business behaves and communicates very differently from the rest of the world. It is only a matter of time before this discrepancy causes us problems."

In today's connected, 24/7 world, organisations are now scrutinised so relentlessly that any disconnect between behaviour and values is quickly exposed.

Given that few organisations have their values hard-wired or DNA'd into them, it is prudent to have someone on the executive team (s/he has to be involved in key decision making forums) who has the perspective to act as a check and a balance; someone who can raise the question about whether the organisation is acting in a way that is consistent with its values and people principles; and who when necessary can challenge decisions, making sure that questions such as "what might a certain course of action do to our reputation?" and "should we be doing that?" get tabled and debated.

It might, for instance, be commercially the correct decision to close a plant. But there will be a variety of options as to how and when this should be done and how it should be communicated. The DCA tends to be this voice, if only because they are more alive to the potential reputational damage and pitfalls associated with certain decision and actions – how it will look, how it will land and play out etc. And more importantly how it will impact the organisation's ability to achieve its objectives and deliver on its strategic priorities.

The role and contribution of the DCA and their team:

- Work with functional and business unit heads to ensure that policies and guidelines are in place, disseminated and adhered to.
- To ensure that a company is transparent in its actions and behaviours, both at corporate level and at brand level. Honesty, with shareholders, the media, customers and the general public is a key determinant of reputation.
- Ensure that implications of any key decision on values, character, trust etc are considered and when necessary challenging decisions that might have a negative impact on these.
- Point out to senior executives the potential impact of leadership/company behaviours on external and internal stakeholders and how these might make life a lot more difficult than it needs to be.
- If there are any glaring gaps between corporate behaviour and stakeholder expectations, identify these and help close these gaps.
- Reflect back to the senior executives how they and the organisation will look if they follow a certain course of action. This task of 'holding up a mirror' to senior executives requires a mix of tact, honesty and robustness, since it can often involve delivering unwelcome and unpopular advice:

  "You have to be able to tactfully deliver hard and sometimes unpalatable truths."

  "We are paid to deliver a version of the truth but if the senior team is unused to straight-talking and honest advice it can be difficult."
- Although some interviewees describe this facet of the role as being the 'conscience of the organisation' (for lack of any other suitable description), others were uncomfortable with this label and its associations of piety.

  "You have to be trenchant without being sanctimonious."

The Arthur W Page Society, a US association for PR and corporate communications professionals, uses the term 'curator of corporate character', which a number of interviewees believed to be more apposite.

4.8 Consistency, integration & coordination of communications across the organisation

Why it matters:

In today's multi-channel, multi-stakeholder world, ensuring that all parts of an organisation communicate a consistent narrative and speak with a consistent tone of voice to an increasingly diverse and dispersed range of stakeholder audiences, across all of its brands and business units, is critical. The bigger the organisation and the more stakeholder interfaces and touch points it has, the bigger the risk of different messages, both explicitly through communications activity and implicitly through its behaviours, being given to different audiences. Ensuring that the communications and behaviours of senior leaders and employees across the organisation, often worldwide, who engage with stakeholders is aligned with an organisation's overall messaging and narrative can be an arduous task.

Equally important and equally demanding is the need to ensure that communications to different (but often connected) audiences, sometimes across different time zones, are coordinated with both precision and a sensitivity to how these audiences consume and respond to different types of information.

In a recent Communications Directors Survey published jointly every year by Brands2Life and PR Week, the top two challenges identified were 'Communicating effectively with ever diverse and fragmented stakeholders' (63% of respondents) and 'Integrating communications activities across the business.' (55%).

Never a straightforward task at the best of times, it has been made a great deal more challenging by:

- The proliferation of stakeholders and influencers
- The increasing collusion of these (often) inter-connected stakeholders
- Rapidly expanding social media channels.

The alignment and coordination of a company's external messaging and narrative with its internal messaging and narrative is also crucial, particularly as internal and external communications channels have blurred, leading to an assumption that what is communicated internally very quickly gets communicated externally. Here the DCA and their team play a key role in ensuring that the external communications about strategy, vision, direction and performance is consistent with the reality of both employees' experience and what has been communicated to them. Given the natural inclination to put a gloss on external communications, it is not uncommon for a disconnect to occur. It is the DCA's responsibility to ensure that this does not happen. The risks that arise from this dissonance include a) erosion of trust and confidence in leadership, and b) reduced clarity about priorities, both of which undermine the commitment of employees.

The role and contribution of the DCA and their team:

- Overall to get key leaders and decision-makers focused on the need to present a consistent story to external stakeholders and employees, and to get consensus and agreement on what the story or messaging should be (one version of the truth). This can range from the overarching narrative to the precise facts and line to take around, for example, a plant or call centre closure.
- Undertake detailed planning to ensure that communications to external and internal stakeholders are aligned and coordinated and that the story is equally credible and meaningful to both internal and external audiences. Then to oversee its execution.
- To act as a central coordinating function, acting as a focal point, and providing the framework and guidelines etc.
- Ensuring that leaders throughout the organisation, as well as others who have a communications responsibility, understand and are aligned with both the overall narrative and the key messages.

4.9 Employee dialogue & insight

Why it matters:

An organisation with a unified sense of purpose, with a workforce that is engaged and aligned behind the strategy and vision of the senior executive team, is inevitably going to be more motivated. However few organisations believe that they have cracked the problem of connecting business strategy to action and connecting the bigger picture to what is happening every day in employees' lives. With workforces becoming more questioning and independently-minded, this engagement challenge only becomes more difficult and simultaneously more important.

Though the purpose and quality of internal communications varies enormously between organisations, one thing that many have in common is that internal communications has historically been less of a priority than external communications. Often project led and tactical, its value as a driver of both engagement and reputation has not really received the attention and investment it should have done. Hence it has lacked the strategic leadership, championing and focus at the highest level without which it is impossible to get resource and traction.

But this is changing. There is now, it seems, a greater appetite from executive teams for a more innovative approach to engagement and communications. They realise, or at least they do in more enlightened organisations, that employees now expect a continuous and increasingly personalised two-way dialogue with their employer; one that involves them rather than commands them. One CEO said to us "if I can't engage the senior team with what we are trying to achieve, and if it then does not get through to our general manager and our business units, then we may as well go home." As expectations and interest have increased so it has become a more significant part of the DCA's overall remit.

Factors driving this interest and appetite include:

- Social media, again a game changer, which has provided employees with a new and powerful platform to be ambassadors or detractors for a company. It has fostered a greater sense of empowerment and there is now a new generation of digitally empowered employees who are willing to speak out, both positively and negatively.
- In common with external stakeholders, employees' opinions are now being shaped by a far wider and increasingly fragmented number of influencers. They are absorbing opinion and information – accurate or not – from a myriad of sources; sources that the corporate affairs function will in some cases have the responsibility of interacting with and influencing.
- The connected world that social media has created has blurred the dividing lines between external and internal communications and, as a result, the need for alignment and consistency between a company's internal and external communications has never been more important.

All of these developments have escalated the importance of employee communications and the DCA and their team are best resourced and skilled to provide leadership of this agenda. Why? Because the core skill set of corporate affairs, or at least the communications team within corporate affairs, is narrative and storytelling, editorial judgement, communications planning, messaging, advocacy, dialogue (two-way communications), engagement, content creation, multi-channel communications, stakeholder relations and insight. It is better equipped than any other function to mediate the kind of iterative dialogue that is at the heart of effective engagement. The corporate affairs function is also the only one that has a combined oversight of external and internal communications and is therefore best positioned to ensure that the narrative and messaging is aligned.

The role and contribution of the DCA and their team:

- Provide the CEO and management team with advice on how to speak in clear and straightforward language that a) sets clear goals, b) is very clear about the things that matter and c) is honest, authentic and true to the values and tone of voice that the organisation wants to project.
- Develop, design and drive the delivery of a two-way dialogue that helps employees at all levels understand the goals and direction of the organisation.
- Ensuring that the corporate narrative and messaging is joined up across all internal and external audiences.
- Drive a more innovative approach to internal communications and its contribution towards employee engagement, which will require 'partnerships' with other functions, such as HR, marketing and strategy.
- Planning and research – in common with external audiences, employees need to be segmented and researched. The same research and planning methodologies that are used for external campaigns (e.g. focus groups) should ideally be applied to internal communications campaigns, though budget may not always allow.
- Providing feedback on how their communications is landing with employees and playing an important role in shaping both leadership behaviours and tone of its language.
- CEOs and their teams increasingly want someone to help them keep their fingers firmly on the pulse of their people's morale, perceptions and preoccupations. In many companies, the DCA is emerging as the key source of this insight, as well as the architect of initiatives that respond to it. One DCA we interviewed put it like this:

  "Executives take your view seriously – they want to know what's going on, what the atmosphere is like, how a leader's particular behaviour is perceived. It is my role to reflect all this back."
- Identifying, creating and rolling out initiatives, often in partnership with HR and marketing, that make employees feel positive towards the company they work for (most notable examples recently are big flagship sustainability and community programmes) and creating the communications programmes that get employees engaged behind these. There are case studies that show that these can be effective at converting them in to champions and ambassadors.

4.10 Consigliere & sounding board

Why it matters:

CEOs have a lonely job and most would admit to appreciating having someone close to them who can give them objective and impartial advice and who they can use as a sounding board. Not only do they have to deal with the complexities and tensions of running a company and handling an executive team, they have to get used to often intense and personal scrutiny and criticism by the media and other stakeholders. They recognise that the consequences of falling foul of increasingly 'activist' and inter-connected stakeholder communities are getting worse, not just for the company, but for them personally.

Furthermore tensions and tribal factionalism within the executive team are not uncommon and these tensions often get played out in the media.

> "There are few jobs at the most senior level that don't fall into a tribe or clique."

However this does have to be handled with great sensitivity and diplomacy since this consigliere role can cause tensions with senior management peers in the business, particularly those with P&L responsibility, who don't feel that they have the same access to the CEO. It can make it a lot harder to win acceptance and trust, a point made by one distinguished business figure we spoke to who remarked:

> "It can cause jealousy when someone is seen as a close advisor to the CEO and is assumed to know more about what is going on in the company but who, at the same time, does not run a P&L."

Traditional sources of this type of counsel to the CEO have included the Chairman and Chief of Staff but our research indicates that many DCAs are stepping into this role. Unlike some of their senior management peers, they are perceived as having no 'axe to grind' and, additionally, their exposure to such a wide array of external and internal stakeholders gives them a more rounded view of the organisation and this 360° perspective is very valuable to a CEO. Their expertise in communications and engagement means that their antennae tend to be finely attuned to the subtle undercurrents across and outside the organisation.

The role and contribution of the DCA and their team:

- To guide and coach the CEO on their external and internal profile and provide feedback on communications style, how messages are landing etc.
- Advise on how messages might land internally and provide broader insight on employee mood, cultural and organisational development and give voice to unspoken concerns or challenges.
- Act as a barometer of changes in the organisation's mood and preoccupations.

- Provide advice on how personal reputation could be enhanced internally and externally.
- Help the CEO, and other senior executives and non-execs understand the political context in which they are operating, how best to engage and ensure they have access to the right counsel and insight.

4.11 Crisis & incident management

Why it matters:

In the introduction to this report we highlighted the fact that small issues and minor incidents, often localised, can quickly build scale and escalate into global reputation risks without warning. Over recent years we have seen instances where certain issues (such as poor labour conditions) that might be acceptable in one region have been picked up an NGO or by 'citizen journalists' or bloggers and generated outrage in another. The power, immediacy and reach of social media – and the 'bush fires' that it is capable of starting – has clearly been a key factor in this development. This escalation can often induce panic amongst senior executives, so it is critical that there is someone at the top table that understands this dynamic and that can advise and plan accordingly and do this with a calm head.

Accidents and incidents are of course a fact of life and although organisations can do their best to plan for them and, more to the point, prevent them from happening, they will still happen. The most significant damage to reputation in these situations occurs when an organisation is perceived as not being totally transparent about the issue concerned or when it is perceived to be placing its own commercial interests above the interests of those affected by the problem. Ensuring this does not happen, and ensuring that the CEO recognises that established business norms and business practices may not suffice, often requires a focal point of leadership as well as courage and authority. This is most likely to come from the DCA, assuming the problem is in the public domain or about to enter it.

The role and contribution of the DCA and their team:

- Ensure that the organisation has a plan for dealing with a crisis, that it is understood and that key people are motivated to deliver it.
- Make sure that the customer (or other stakeholders) have the best possible information, not always easy when the facts are incomplete and there are conflicting internal stakeholder agendas.
- Align the organisation with external stakeholders and third parties and at the same time ensuring that they understand and support your response. Any crisis is that much worse if your most important stakeholders are speaking out against you.

- Keep control of the narrative, which means constant communication since any news vacuum will quickly be filled by speculation.
- Identify the right choice of channels and tone of voice. There are a number of examples of organisations that have been ‘undone’ by social media, by failing to appreciate that communication targeted at employees is likely to get leaked externally. So planning for these possibilities is important – it’s impossible to completely shut down social media so the only choice is to try to get it under control.
- Using communications to demonstrate that the organisation cares about those affected, is totally committed to the resolution of the problem and has some control over the situation.

These crises, when they happen, can have an upside in that they can help underline the value of the corporate affairs function and, more importantly, help embed reputation sensitivity into the mindset of both the executive team and other functions and geographies.

5. Skills, capabilities & qualities

Stepping up to the role of director of corporate affairs, and therefore the leader of the function, particularly in a FTSE 100 where the position is often (43% in 2014 Watson Helsby survey) a formal member of the Executive Committee, requires the acquisition of knowledge and skills not considered essential in previous roles. This section identifies and analyses the skills, qualities and capabilities that the leader, and their function, need to possess in order to be effective, as well as the capabilities and expertise they will need to have within their team.

We have deliberately not included core components of the role such as media relations and public affairs since they are well documented and understood. This analysis focuses more on leadership capabilities and emerging skills and expertise. Again, using the feedback from interviews with those that actually do the job, several of whom sat on the executive committee of their company, combined with CEO observations and supplemented with our own insight as specialist headhunters in the area, we have identified these core capabilities and skills as follows:

5.1 Judgement

5.2 Courage, authority & independence

5.3 Leadership

5.4 Business understanding & financial literacy

5.5 Fluency in the language of the business (not just business)

5.6 Joining up the dots/ stakeholder insight & understanding

5.7 Measurement & analysis

5.8 Intellectual agility

5.9 Creating alignment

5.10 Emotional intelligence

5.11 Campaigning

5.1 Judgement

The most important quality of any corporate affairs leader is judgement, coupled with the courage and authority to exercise that judgement effectively. Many of the judgment calls that a DCA has to make are concerned with the if, how, when, what of communications and stakeholder engagement. The DCA is not necessarily the final decision maker, but their opinion and judgement will always be sought and often acted on. These are judgement calls that will frequently have an impact, positive (if called right) and negative (if called wrong) on reputation, hence the high stakes nature of each of them. An ability to judge how something will land, or play out, in the media and broader communications landscape and its likely impact on other key stakeholders (particularly employees) is central to all of them.

> "Major announcements, how they will land, the timing of them etc."

A judgement about how something may look to the external world or how it may play out externally (and internally) may also affect business decisions and strategic choices. Senior executives must therefore trust the DCA's judgement because of the commercial compromises that are sometimes involved in broader and longer term reputation management considerations.

> "When to close a plant – is the reputation hit something we can deal with at the moment?"

Rules and regulations around disclosure will sometimes remove any need for a judgement call and the DCA, along with the IRO and CFO, will need to know how and when to abide by these. But there will be many occasions when sound judgement will be required when the stakes may be high. For instance a decision about whether it would be better to get an issue out into the public domain (before someone else does), or whether it would be better to delay? Or whether, as one DCA put it, "to turn the other cheek publicly and to make your case privately with behind-the-scenes briefings."

The ramifications of getting this type of decision wrong can be enormous. For instance, Barclays was the first bank to own up to Libor, but instead of getting credit for this, it became the lightning conductor for the issue, although the bank did ultimately receive a lower fine.

Other judgement calls, all of significant magnitude, that were mentioned included:

- Whether to get involved in an emerging issue or leave it to blow over. It requires expert judgement to be able to spot those issues which appear to be low key today but which might carry significant risk.
- Whether or not to accept an 'invitation' to put your side of an argument on a programme such as Watchdog.
- Judging which battles with the media are worth fighting and which are not, particularly when senior executives are urging a confrontational approach.

These decisions are all critical because if judged correctly they can enhance reputation, build trust etc. Likewise, if incorrectly called they can damage reputation and erode trust (externally in the organisation and internally in the DCA amongst senior executive colleagues). Getting these judgements right most of the time is a key requisite of a top-class DCA, and it requires a strong understanding of both the external and internal environment.

"Ultimately success comes down to an ability to balance a sound commercial understanding of the needs of the business with the reputational considerations and stakeholder issues inherent in the external environment."

"To perform this task efficiently – which often requires saying things that people don't want to hear, or have strong and contrary views about – requires a very good understanding of company politics and how to play the dynamics of the executive board."

5.2 Courage, authority & independence

Some of the judgement calls referred to in the previous section, along with the advice they will at times have to provide, are not always popular at a senior level (e.g. around remuneration). This is where the qualities of courage, robustness and authority are imperative and not to be underestimated. There will be moments when there is no syndication of decision-making or responsibility.

"It's you, no one else, and you have to have the courage to make the call and stand behind it which often requires saying things that people don't want to hear, or have strong and contrary views about."

Other members of the ExCo do not need the courage to speak up against the prevailing winds of the ExCo because they are the prevailing winds.

Interviewees highlighted three specific situations that can be a test of nerve and courage and that require independence of thought and position (i.e. acting as the voice and lens of the stakeholder).

The first is making the case for ceasing or changing a business activity or behaviour, for instance because of its dissonance with the overarching corporate narrative or its potential to damage reputation. If an organisation has very publicly adopted a new narrative (Unilever) or has embarked on a journey of reputation rehabilitation (Barclays), it needs proof points or evidence that help demonstrate (to stakeholders) its performance against the new corporate narrative. This sometimes requires a symbolic action – closing down a business for instance – to provide tangible evidence of a business that is truly changing.

The DCA, more sensitised than most to stakeholder expectations and how and what they will scrutinise, may have to take the initiative in pointing out where change may need to occur. The initiatives they suggest will inevitably bring them into conflict with certain senior management peers whose businesses or targets may be impacted by these recommendations.

The second is standing up to the CEO when they are set on a course of action, and having the courage in your judgement to say no. This can be a potential minefield since the corporate affairs director is there to represent the interests of the company, not the CEO, and sometimes there can be a need to remind the CEO of that. It requires good judgement, and not insignificant courage, to confidently state "this is not about you as an individual, it is about the organisation".

The third is the need to hold up a mirror to senior executives, who will have inevitably sometimes failed to take into account how a particular decision or strategic choice may look to the external world and to have the courage to 'speak truth unto power'.

"How much do you tow the party line or give them a reality check?"

A number of interviewees also observed that few senior management roles have the same level of interface with the chairman, the CEO and CFO and non-execs. The egos, tensions and competing agendas at the very top of a company are not always easy to navigate and require robustness, confidence and diplomacy. Media briefings from 'anonymous' inside sources, providing unhelpful insight, correct or incorrect, into the machinations at the top of an organisation can add a further layer of potential conflict.

"The corporate affairs director's role is unique in that they have a position that can be instrumental in helping reconcile egos and tension and helping create the image of a cohesive and united top team and presenting that to the outside world."

"Non exec-directors can be horrendously political, they often don't tell you what they think and most of them have their own communications advisers."

5.3 Leadership

The adjustment from a senior manager to leader is challenging. One corporate affairs director described it as a transition from thinking as a communications professional to thinking as a business leader.

"Previously a corporate communications specialist, you have to quickly change your style to become a leader in the corporation."

DCAs have to quickly adapt their management style to become not only a leader of their team and champion of their function, but a leader in the business and amongst their peers on the ExCo and/or senior management team. Functional leadership requires the ability to create the conditions that enable their team to perform at its best. Like any other functional leader they must be able to build and lead a high performing, multi-skilled team that is respected and valued by the whole of the business. And like any other leader they need the ability to inspire, motivate, mentor and set direction.

"You have to create a function where people in the organisation will go to the more junior members of the team for advice/help and not just the leaders."

This means not only hiring and resourcing effectively, but learning to design a function that is fit for purpose – functional/organisational design is a new skill for many DCAs as is the flexibility to know when to change or adapt the model. A corporate affairs leader needs to decide on the optimal structure and operating model that mirrors the external operating and stakeholder environment and that supports the needs of the business. This has assumed greater importance as the external environment and stakeholder landscape has become more complex and multifaceted.

The best DCAs are able to flex themselves and their organisation so that they can get the right balance between reactively managing events and proactively campaigning. They have to ensure they have the right capability and organisation in place to play both offence and defence.

Although specialist expertise such as media relations and public affairs remain important, a number of DCAs we spoke to were attempting to break down traditional silos and build multi-disciplined teams. Not only does this help broaden the knowledge of the team, it helps them think about issues differently. This approach tended to be more prevalent in those companies that operated in multi-stakeholder and highly politicised/regulated environments, where the boundaries between public affairs, corporate communications, lobbying, issues management, campaigning, political & regulatory risk, policy, corporate responsibility & sustainability, social/digital media, consumer and public interest issues were blurring. Creating a multi-disciplinary team can help create a more integrated approach to communications and reputation management. Integration is key because the success of one activity often depends on the effectiveness of the other

This also helps when it comes to succession planning, since the members of a silo'd team cannot have the breadth of experience and expertise to provide an obvious successor to the DCA.

5.4 Business understanding & financial literacy

In order to be credible as a functional lead (and therefore to be accepted as an equal by the rest of the ExCo or senior management peers) and to contribute usefully to broader business debate, strategy, budget setting etc, a DCA has to be financially literate and have a deep understanding of how the business actually works and performs; the drivers of the business, operational details, how it makes its margins, as well the ability to understand a P&L and the language of corporate finance. For those who have come up through the financial media relations, or IR route, the latter should already be reasonably well developed.

They need to be able to articulate the strategic, commercial and operational impact and ROI of the function in the fight for budget and to do so they have to be able to create financially based arguments that will get traction at Board level.

"No one takes your advice seriously, and nor could you frame your advice, unless you know how the business works."

"Your reputation will be diminished if you are not perceived as financially astute."

5.5 Fluency in the language of the business (not just business)

The functions that are represented on, or near, the executive committee – finance, legal, marketing, sales, operations, strategy, HR – all have their own 'languages' or jargon. Furthermore a company often has its own 'language' that will vary by sector – the language of an oil & gas company (where engineers predominate) will be different to that of a retail company.

"Financial literacy is not enough if that does not come with the language of an engineer, a retailer, whatever it is the business does."

The DCA must quickly learn and speak the language of the business and at the same time adapt to the jargon of the individual functions and business units, partly to be effective, partly to be credible and partly to build allies. Other business leaders and peers are more likely to accept and respond positively to the DCA if they see that s/he can speak their language and can adapt and flex their advice and thinking to their specific needs and priorities. It makes them more inclined to accept the DCA as 'one of us'.

However being 'one of us' does not sit comfortably with one of the key responsibilities of the DCA. That of standing back and taking an objective, dispassionate and independent view of the company and its behaviour(s) and considering them through the prism of stakeholders.

The ability to manage this delicate balancing act is one of the distinguishing characteristics of an effective DCA. It is also the reason why some organisations are inclined to promote from within, since it can be an advantage if the DCA already understands the language of the organisation and the politics and personalities at the top of the organisation.

5.6 Joining up the dots/stakeholder insight & understanding

"The job evolves from one of being task and stakeholder focused into something where you are pulling together the sum of everything going on externally into a coherent insight or narrative, focusing on what is important and what it means to the organisation."

A number of themes have recurred throughout this report including i) increasing political and regulatory intervention and scrutiny, ii) the proliferation of stakeholders, iii) stakeholder connectivity, iv) the explosion of social media and v) the speed at which issues cross borders. What all this amounts to an increasingly complex and fast moving external environment which has become substantially more difficult to analyse, interpret, anticipate and shape.

The skill that really counts at this level therefore is what is often referred to as 'joining the dots.' This is the ability to see and interpret the complex interplay and inter-relationships between different stakeholders, particularly between the media, the consumer/customer, government, regulators, the financial markets and employees. It requires an understanding of how all the key external audiences and issues that are relevant to the company join up, the dynamics that shape the relationships between them and the way they influence each other (and also employees), and to then form a cohesive and coherent picture of the external environment in which the organisation operates.

Those organisations that lack this capability in their corporate affairs function will be less able to anticipate, understand and shape the external environment to their advantage.

> "Research methodologies are sometimes less important than the feel that we have for the connections and trends that can be difficult to measure."

Without this it is impossible to orchestrate the campaigns and initiatives that exploit these dynamics and that take a more holistic approach to shaping and influencing this environment. Those organisations that are still silo'd in the way they communicate and engage with stakeholders are unlikely to pursue a joined up approach and will find themselves at a disadvantage to those that do.

Few DCAs will have a deep understanding of all stakeholder audiences (or all the issues, particularly the more complex and arcane public policy issues) but the wider and deeper their knowledge, the more credible and valuable they will be, both as an advisor and as an orchestrator of their team. The key of course it is to makes sure their team has this knowledge and expertise.

Historically corporate affairs has concerned itself with traditional 'corporate' stakeholders and marketing has focused on the consumer. However, as we have seen, the lines between these two have blurred over recent years and they are now more inter-connected than they were. As a result consumer opinion, mood and expectations now have to be understood and integrated into the 'joining up the dots' analysis.

This development means that the corporate affairs function needs a stronger knowledge and awareness of consumers, their thinking and how to engage with them on all manner of issues and programmes. This impacts the relationship with marketing, which tends to own most consumer research, insight and data. Indeed some fmcg companies are now merging the two functions, a response to the need for more integrated and joined up approach – narrative, content, channels etc – to the management and development of their reputation and brand. This is still an embryonic trend, but there is clearly a need for a much higher level of co-operation and coordination with marketing when planning and delivering corporate and brand communications campaigns.

5.7 Measurement & analysis

Robust and sophisticated measurement and analysis has traditionally been something of an Achilles heel for the corporate affairs function. This was recognised by many of the DCAs we interviewed, though there was also some frustration that budget restraints do not always allow an investment in the more sophisticated research methodologies they would like to use. It is also the case that stakeholder sentiment, which is an important component of reputation, is notoriously difficult to measure using the type of analysis that executive boards feel most comfortable with.

However the fact remains that in today's world, in order to get traction at Board level and to secure the investment it needs, the function has to be able to underpin its insights, recommendations and investment case with the language and data/analytics that are used and that command respect at the top table. This is especially the case with intangibles such as reputation (and its drivers, its value and contribution to market cap), stakeholder perceptions and trust. The case for significant investment in these intangibles requires rigorous representation and advocacy at the top table. CFOs and engineer dominated executive teams are more comfortable investing in tangible activities whose ROI can be measured.

One DCA we interviewed remarked that the function requires:

> "An ability to translate reputation impact into financial conversations that will help you get traction for the case you are making."

Stakeholder opinion research is used widely but this is often much less insight-rich and sophisticated. What is needed, it was generally agreed, is research that provides deeper and more actionable insights and that helps the CEO and other senior executives make better decisions.

Interviewees spoke of a need for research that will:

- Provide a robust quantification and weighting of reputation and political risk (which Boards want and need).
- Demonstrate how investment in reputation enhancing activities and communications can create equity value and ROI.
- Demonstrate how trust (or reputation more generally) or the lack of it, can both increase the costs of doing business and make it more difficult for an organisation to realise its business or strategic objectives.

A number of consultancies now provide services that include reputation business intelligence, reputation risk analysis and other analytics that can be employed at board level to support insights and recommendations. A small number of DCAs have also created a Reputation Strategy and Planning role whose responsibilities include managing the development of the company's reputation management model, ensuring integration with other functions such as Risk, putting in place robust tools and processes to deliver actionable business intelligence about stakeholders and that evaluate and track reputation. So the function, and the industry that supports it, is responding to the demands for more rigour and sophistication.

Given the importance of incorporating consumer research in the research programme (see Section 5.6 'Joining up the dots'), the best way to secure a bigger research budget may be to partner with marketing who historically have the bigger research budgets.

Just as the CMO and their function need to understand the motivation behind consumers' purchasing decisions, so the corporate affairs function needs a more in-depth understanding of consumers' thinking across a spectrum of issues. For instance 'does media coverage of an issue influence consumption or buying decisions?' Or 'who do you trust more on a particular issue, the media, government or the company itself?' Marketing, which tends to own most consumer research insight and data, rarely commissions research to answer these types of questions, yet the answers to them can be used to inform corporate affairs strategy and content.

There is therefore a strong case for a more robust and holistic stakeholder research programme; a programme that would generate a broader and deeper understanding of the external landscape (media, opinion formers, consumer groups, lobbying organisations, politicians, etc) and the way in which it shapes consumer/customer perceptions, brand loyalty and overall purchasing decisions. The corporate affairs function and its leader are uniquely positioned to bring this all together and to own this capability.

5.8 Intellectual agility

Today's DCA will not be able to operate at the most senior levels of an organisation without considerable intellectual agility. They need both the ability to synthesise analytical insight (the traditional language of business leaders) and to cut through complexity as well as the intellect to play a greater role in strategy development.

The external environment in which many organisations operate, and specifically those that operate in heavily politicised environments with complex policy and regulatory issues, has become increasingly difficult to analyse, interpret and make sense of. The DCA must have the ability to quickly assimilate, synthesise and present complex data and issues which may, on occasions, have to inform a company's strategic choices. The relentless scrutiny that some organisations face from the media, politicians, regulators and (sometimes) a deeply disenchanted pubic, requires an intellectual agility to deal with the present day and the snap judgements this demands and yet concurrently see the bigger picture and how it affects an organisation. The economics of reputation also require an ability to make rapid risk/return judgments in certain situations.

Internal stakeholders of considerable intellectual weight, such as General Counsel, will challenge the DCA's thinking in open forums and they therefore need the intellectual substance and agility to marshal their arguments and authoritatively articulate the merits of their case in these forums.

Externally they will be dealing with city editors, policy makers and influential opinion formers and will be expected to debate often complex business, policy and strategy issues on equal terms. Since they will be representing the interests and position of their organisation, they have to do this effectively.

Lastly, and this tends to be a manifestation of intellect, they have to be able to write to a very high standard, since most CEOs will want a DCA who can write for them. Though this may at times be delegated, it still remains a key skill.

5.9 Creating alignment

There are few senior executive roles that have to deal with such a broad range of internal and external stakeholders, all of whom need to be understood, related to, persuaded and brought into alignment.

Internally a DCA may find themselves in a position where they have to build consensus and alignment, often amongst more experienced executive management peers, behind messaging and positioning statements that may not suit all parties. Creating alignment across an organisation behind the narrative and vision, and the messaging that supports both, is a task of some considerable magnitude. CEO sponsorship is crucial but it cannot be achieved without strong networks and above average relationship building and influencing skills. The DCA will also sometimes have to shape the behaviours of executive committee colleagues and coach them in the importance of broader reputation stakeholder management considerations.

Externally (external affairs/relations) they are advocates and relationship builders for the organisation with a similar requirement to secure support and buy-in. Their style and the way they (and their team) interact with, and relate to, external stakeholders will inevitably influence perceptions of the organisation they represent. Not only must they create strong relationships with the stakeholders for whom they are responsible, they must also ensure that the entire business – and particularly commercial or operational functions that have their own external stakeholders such as JV partners, suppliers and distributors – interacts with its stakeholders in a consistent manner. This is critical in building a strong corporate brand, one that behaves and interacts with all external stakeholders in the same way, thus creating a unified sense of what the company stands for at all times.

Creating alignment is a key leadership capability and requires a number of qualities including:

- The influencing skills to secure agreement and consensus to the positions etc that a DCA has sometimes to recommend.
- The ability to identify and advocate win-win solutions.
- A delicate mix of diplomacy and directness in communications style.
- High aura of mastery in order to come across as assertive and authoritative.

5.10 Emotional intelligence

Emotional intelligence (EI) is the ability to identify, understand, interpret and manage emotions in positive ways to communicate more effectively, empathise with and relate to the emotions of others, manage relationships effectively and defuse conflict. Since EI will determine the way that a person behaves and interacts with others, it manifests itself in almost all aspects of daily life.

It is a quality that is often lacking in executive teams, and it is clearly an advantage if the DCA can help compensate for this EI deficit. Indeed it is important that they do. One of the CEOs we interviewed told us that it was the most important quality of his director of corporate affairs, noting that:

"His blend of IQ and EQ on a testosterone loaded board was the quality I valued most."

More importantly a DCA with high levels of EI is likely to be able to perform certain key aspects of their role such as communicating clearly and developing and maintaining good relationships more successfully. A DCA with high levels of EI will also be able to help the CEO and other senior executives understand the impact of their behaviour on others, and help steer them away from activities and decisions that could elicit a negative or hostile response.

Lastly an organisation that behaves in a manner that shows little regard for the impact of its decisions on employees, local communities, suppliers, investors and other stakeholders, is not likely to make many friends and equally likely to suffer reputational damage. Tesco's current woes are not totally attributable to poor financial and trading performance. Over the years they have stored up a good deal of resentment by riding roughshod over the interests and needs of many of their key stakeholders.

It is abundantly clear that the days when a company could single-mindedly pursue its own agenda to the exclusion of the needs and emotions of its stakeholders are long gone. There now has to be someone at a senior level who has the EI to understand and anticipate the emotional reaction of those people affected by its decisions and behaviours.

5.11 Campaigning

Proactive issues management and campaigning (founded on the political campaigning model and adopted very successfully by NGOs and other campaigning organisations) is a capability that is not found in many big corporates, but this is changing as companies, and specifically DCAs, recognise that it is a capability and mindset they increasingly need to acquire. What campaigning organisations are very good at is distilling issues into easy to understand, emotive arguments and content and then using multiple media and coalition building to mobilise support. It can be an extremely effective way of influencing public opinion, changing debate or narrative around an issue of particular importance (e.g. obesity), effecting attitudinal and behavioural change and shaping decisions.

An issue campaign requires careful planning, identification of conventional and non-conventional stakeholders and allies, message testing, direct and indirect engagement with media, business partners, government, NGOs and consistent monitoring and adjustment in order to work. Campaigning is a multi-stakeholder, multi-channel, and integrated form of communications, so it necessitates the breaking down of skills silos as well as the silo mentality that so often exists within both a company and the corporate affairs function itself. Since most campaigns will be designed to shift or shape broader public opinion on an issue, marketing has to be a key partner.

It definitely requires a more entrepreneurial, proactive and creative style of corporate affairs leadership. In conservative, risk averse organisations it is likely to entail a complete repositioning of the function; away from issues management/protection of license to operate to something altogether more bolder. Changing the organisational mindset is very difficult, because sticking the corporate head above the parapet carries the downside of inviting deeper stakeholder examination and inspection.

6. Conclusions

This research shows why the role of the corporate affairs director has become both more substantial and prominent. It also reveals the complexity of some of the judgements and decisions that the director of corporate affairs is called upon to make. Make no mistake, a good corporate affairs leader can play a key role in improving the decision-making across the company as well as helping create the conditions for business success. With their appreciation of how things look to external stakeholders, and their knowledge of what the company is saying to the outside world, they can help ensure that communications, values and behaviours are all aligned. A stronger and better reputation tends to be the outcome of all of these.

The capabilities that the leader and their function need to exhibit, explained in some detail in the report, are very different to what they used to be, as recognised by the CEOs and chairmen we interviewed. It raises the pertinent question – does the function in general possess these skills and capabilities in depth? Is the talent pool there, or will companies have to consider looking outside the function? And if so where? Our view is that there are some very strong practitioners and that the talent pool therefore exists, with some exciting new talent emerging, particularly through the public affairs and political campaigning route. However it can only benefit the function if a wider range of skills, knowledge and capabilities were brought into it. Marketing, strategy, risk, HR and legal are all competencies that might strengthen the corporate affairs function in different ways, add to its talent pool and provide an alternative career path for those from outside the function.

However it is important to note that not all organisations need such a multifaceted corporate affairs leader. In terms of both capabilities and temperament, the precise mix of skills and qualities that are required varies enormously from organisation to organisation and depends on, among other things, the reputation of the organisation, the characteristics of the market, management's strategic priorities and the disposition of the CEO.

That said, if the corporate affairs director is expected to take a position at the very top of the organisation, either as a member of the executive committee, or as an attendee, an MBA, not previously considered important for a corporate affairs director, can only help strengthen their credibility and enhance their contribution at this level. Particularly now that reputation, reputation risk and the external stakeholder environment are board level topics, broader business and financial knowledge is non-negotiable. An MBA, which would strengthen knowledge of business strategy, finance, accounting, economics, technology and information systems, operations management, organisational behaviour and marketing management should now be a serious consideration for any future corporate affairs leader.

Whatever a particular organisation's specific requirements, identifying precisely what blend of capabilities a corporate affairs director requires demands a rigorous and impartial audit of the company's existing corporate affairs resources against its current and future business priorities. Existing assumptions about the corporate affairs director's role, if they exist, need to be forensically tested and, where necessary, challenged.

Whilst there is no universal blueprint for the corporate affairs director, well informed insight and challenge can help define the purpose, scope and desired value creation of the role and therefore the type of candidate required. The absence of this insight and advice can easily lead to unsuitable appointments, the cost of which can be high.

In summary, we passionately believe that the process of finding the right candidate for a particular organisation must be managed with the same evidence-based discipline as any other major commercial decision.

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