Why ExCos Need a Corporate Affairs Director

CEOs increasingly understand the need for the support of a Corporate Affairs Director. **Nick Helsby**, founding Director of executive search firm Watson Helsby, explains why

In a survey of FTSE 100 Group Corporate Communications/ Affairs Director Survey conducted in 2016 - 17, Watson Helsby the specialist communications and government relations executive search firm, disclosed that over 51 percent of FTSE 100 group corporate communications/affairs directors are now formal members of their respective executive committees.

This is the first year that this is now a majority, albeit a marginal one. We have been tracking this since 2013 – using the same methodology – when the figure was 44 percent, and it has been rising every year since, so we can state with some degree of confidence that this is a trend, rather than a blip.

It is a strong indicator that the function, and its leader, is increasingly regarded by CEOs – of a certain type of company – as requiring representation on the executive committee. These companies tend to be in the public eye and to operate in politically sensitive and heavily regulated sectors, with a diverse and multi-faceted collection of vocal and influential stakeholders.

CEOs in these companies understand all too well that the way these stakeholders perceive them, and the dialogue and relationships they have with them, play a critical part in business success. These perceptions will, to a large degree, be influenced by how a company presents and positions itself to the outside world. Putting it simplistically, there is now a well-recognised connection between perception and reputation, and reputation and value. >

Quantifying this remains a challenge, but CEOs get it and no longer need to be convinced of the correlation. But since the scenario outlined above is not significantly different to the situation in 2013 (when only 44 percent were on the ExCo), it does not fully account for the jump from 44 percent to 51 percent. What other specific changes have occurred over this period?

For this we need to look at the convergence of three developments. The first is that the societal and political environment has changed dramatically over recent years, which has brought the connected issue of trust and expectations of business, combined with other institutions, to the fore. Trust has declined substantially and business increasingly sees this as a core existential threat.

Trust Factor

They realise that stakeholders want to see, and expect to see, ongoing evidence (i.e. not a one-off initiative) that a company is sensitive to the societal issues in its sector and in its communities. They want to see that a company is helping to solve or address such issues, and that it is making a positive and responsible contribution to society, the environment and the economy (e.g. not avoiding tax). These concerns cannot be ignored and the media, certainly in the UK, is relentless in its mission to expose any wrongdoing or discrepancy between words and actions. They are not going to relent on this and companies are getting the message.

Hence the ongoing debates in the boardroom about purpose, brand and culture ("who we are, what we do, why we do it"), with the goal of trying to identify and demonstrate a higher, more noble purpose and role in society. By and large, business leaders now get this and it has become as much a subject of debate as strategy and operational efficiency. In fact, in some companies it is the lens through which investment and strategy decisions are made. We know, from conversations with FTSE 100 corporate affairs directors, that boards are increasingly establishing sub-committees to oversee and monitor the corporate brand and corporate culture, which means that they realise that these are seen as interconnected and critical to the health and success of the business.

> *"There is now a well-recognised connection between perception and reputation, and reputation and value"*

The following quotes illustrate this trend:

"The board is setting up sub-committees to oversee whether the business is operating in a way that builds the corporate brand."

"Committees have been set up to look at brand and culture."

"We talk about our purpose. The board and executive team believes that corporate brand matters and is increasingly trying to put a value on it."

And, finally, and perhaps conclusively:

"Brand is so critical to success – if we don't get this right, everything else is a waste."

The business language has changed accordingly. Boards talk about "trust", and "loss of trust", and the need to build and earn "trust". They understand the connection with reputation (in that it is impossible to have a good reputation if you are not trusted or respected), but it is trust that is the key starting point, not reputation. Reputation is an outcome of what the company does, it cannot be managed, just shaped.

The second development is the ever increasing influence of social media. As one FTSE 100 corporate communications director said to us: "Social media is the key driver – it has changed immediacy, visibility, scrutiny and given everyone a voice and, with it, a point of view and a means of sharing it and connecting with others who share it.".

This is not new, but its growth and impact has accelerated exponentially over recent years, and because of platforms like Glassdoor it is very easy to get an insight into a company's culture from the outside. This view is picked up – and factored into perceptions – by customers, the media, investors, politicians, regulators and other influencers. It's a trend that simply cannot be ignored. Boards and executive teams have had to come to terms with the reality that if you don't do the right thing, you will be found out and found out quickly. The same FTSE 100 corporate communications director observed: "This is not new, but its importance has heightened and focused us on our brand, purpose and narrative." >

The last of these converging trends is stakeholder connectivity and the need for a much more joined-up approach to engagement and dialogue across the organisation, one that recognises that they all influence, and are influenced by, each other. To quote another FTSE 100 corporate affairs director: "The whole world is interconnected now and there are a whole lot of conversations going on out there that we are not a part of. You can no longer control this, but you need to influence it, navigate it and be as much a part of it as possible."

All of this has created a situation in which the CEO, in conjunction with the Board, wants someone on the Executive Committee who can focus on this and represent 'it' at the most senior level. Companies and their leaders are naturally focused on the internal world – strategy, operational issues, finance, people and so on. This has to be balanced by someone who takes a more holistic view of the company, its relationships and environment, the way it is perceived by others and its longer-term issues – someone who represents and presents the outside perspective.

Birds-Eye View

It is still the CEO who has to bring it all together, but they need advice, intelligence, plans and views/recommendations (in common with HR, finance and any other function represented on the Executive Committee), hence the elevation to the ExCo. As another director we know noted, "when a CEO cares enough about something, he puts it on the ExCo".

What this all means is that CEOs want someone on the executive team who:

> *"Reputation is an outcome of what the company does, it cannot be managed, just shaped"*

- Has a holistic view of the external and internal world and who can help the company create a cohesive and coherent narrative that weaves in brand, purpose, performance and strategic initiatives that resonate with all stakeholders.
- Represents and presents the view, perceptions and expectations of external and internal stakeholders and synthesises these into a meaningful analysis that helps business leaders make better decisions.
- Thinks across and helps the company navigate the best path that will satisfy all of its multiple, interconnected stakeholders.
- Applies the reputation, trust and stakeholder lens to all strategic and operational decision-making, and then uses this to assess the potential bottom line impact.
- Can advise the CEO and executive team on how the company should best present and position itself to the outside world – stakeholder dialogue, content, communications strategy, storytelling, its position on key issues relevant to the company. They then must ensure that everything that the company says and does is joined up, coherent, consistent and has a laser-like focus on what it wants to be known/famous for.
- Can see the connection and, again, take a more holistic, 'joined up' view of the connection between culture, brand and reputation and leverage this to an advantage – something that can no longer be left to chance.

But, like any other corporate function, it requires leadership, process, governance, data and measurement, and the right functional capabilities and competencies – all the more so when it is represented on the Executive Committee. Historically, corporate affairs directors may have been perhaps a little less rigorous and analytical than their peers, but now they are in the spotlight and it a key priority for a number of them in the FTSE 100 to conduct extensive organisational and capability reviews and ensure their function is fit for purpose. ■

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