

Corporate communications,
public affairs and media relations

plans, priorities and issues

in 2010

About Watson Helsby

Founded in 1999, Watson Helsby provides executive search counsel and expertise across the following disciplines: corporate communications; financial PR; media relations; public affairs; internal communications; crisis and issues management; investor relations; digital communications; corporate social responsibility and communications strategy and planning.

In addition to our core offer of search, we regularly publish Watson Helsby industry reports. These 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.

Background/Methodology

During October and November 2009 Watson Helsby, the executive search firm, polled over 250 corporate communications directors, heads of media relations and public affairs directors in FTSE100s as well as a number of other major UK organisations. The study was designed to investigate their plans, priorities and challenges for 2010 including budget expectations and resource issues. We received over 120 responses and have consolidated these into this report.

Summary

- Other than the general election there is no sense that 2010 will be much different to 2009. Issues – economic and societal – will remain largely the same and so therefore will communications priorities. However a number of respondents are cautiously optimistic and reported that they will be looking to get on the offensive again.
- The media, in both its old and new incarnations, are now asking a different set of questions (around behaviour, ethics, values etc), and managing these whilst crafting and delivering a finely nuanced narrative to the City and the financial markets can be a tough challenge for FTSE100 communications directors.
- Over two thirds of respondents expect budgets to be flat or down on 2009. Shelving projects or cutting back on agency spend are now the only options since most have pared back to the bone in 2009.
- Agency expenditure is forecast to remain steady (78% of communication directors), with agency retainers staying pegged at 2009 levels, which in turn were pegged at 2008 levels. Discretionary projects are likely to be put on hold and most respondents stated that they expect increased levels of activity from their agency for the same fee.
- In an environment where budgets are constantly under pressure and where additional efficiencies are consistently sought, communications directors need and expect their team to be versatile, in a way that communications/PR people have traditionally not been, and to be able to work across different audiences and different channels.
- The majority of public affairs directors (62%) believed that the Conservative Party were open to engagement with business. And as it gets closer to power, levels of engagement are thought to be improving as the Party realises that the private sector will be the key to getting much of its agenda actually delivered.
- Digital communications and the use of social media dominates debate amongst communications practitioners, albeit with varying degrees of emphasis. Although some participants – notably in the public affairs arena – were less convinced of the impact of social media and indeed felt that its mystique and importance had been overhyped, the majority are planning to significantly increase their digital communications activities in 2010, albeit from a low base.
- However, despite the impact of social media, respondents felt that traditional media outlets remain the most important and effective channel for influencing stakeholder opinion.

1. From a corporate reputation perspective which business, political, economic and social issues and which audiences have your CEO and executive team been most concerned with/about this year?

The research identified three key themes:

- i) In 2009 most companies have been preoccupied with the unprecedented economic downturn and its impact. Therefore communications and reputation management activities have focused on explaining the short, medium and long term measures that companies have taken to get them through the worst recession in memory and how these will deliver longer term success and shareholder value. For most companies this theme has dominated the corporate narrative.

“Performance is normally just one part of our corporate narrative, not the predominant message as it has been for the past twelve months.”

- ii) At the same time companies, and specifically the corporate communications team, have had to stay attuned, if not ahead of, the wider responsibility agenda, dealing proactively with issues such as behaviour and values and the scrutiny that these, and other non-financial measures of performance, have received and will continue to receive. The media, in both its old and new incarnations, are now asking a different set of questions and dealing with this, along with the ongoing requirement to communicate information around financial performance, is the big communications challenge for many respondents.

- iii) A third theme that has gained momentum as the year has progressed is proactive engagement with the Conservative Party, both to understand the Party’s position on certain policy issues, to explain the company’s position on these issues, and to start the process of influencing and shaping policy.

2. Do you believe that the changes in the reputation environment (trust, transparency/scrutiny, 24/7 newsflow in an internet age, public policy and regulatory trends, citizen journalism, new web-based platforms) have affected the role, contribution and expectation of the corporate affairs function?

Overwhelmingly yes (70%), although this is seen as a longer term trend that began before the downturn.

Digital, and the forces it has unleashed – 24/7 news flow across the globe and citizen journalism – is undoubtedly the key driver of these changes, adding a new and much more time sensitive dimension to the task of engaging with stakeholders and managing reputation.

“Everything is faster, more global, more fluid and less controllable.”

“Staying on top of the news agenda and reputation online is hugely time consuming.”

Many of the new digital forums are now the genesis for attacks on corporate reputation and these attacks often contain misunderstandings or blatant untruths which can quickly gain currency as being accurate.

“There seem to be ever more spurious stories, gaining more momentum, more quickly.”

However a number of corporate communications directors (28%) felt that the mystique and importance of social media has been overhyped and that traditional media outlets remain the most important and effective channel for influencing stakeholder opinions.

“Despite the belief that this is a paradigm-shifting moment in communications, the reality is that little has changed.”

“We simply have more platforms and more direct ways to communicate – but none of that is rocket science.”

The other theme that emerged is the critical link between an organisation’s reputation and the existence of a robust, consistent and credible corporate narrative, one that is communicated consistently across the organisation and to all audiences.

The combination of i) senior executives becoming acutely sensitised to both the importance and the fragility of reputation in a downturn, and ii) the corporate communications function being largely responsible for crafting this narrative (a not inconsiderable skill and one now in great demand) has meant that the central and key role that the communications/corporate affairs function plays in managing reputation and stakeholder perceptions has come to the fore in the downturn.

3. What are your communications priorities for 2010 and how do they differ from 2009?

Not surprisingly, responses to this question varied by company and sector, many being very company specific. However a number of unprompted themes did emerge:

i) Issues will remain largely the same (the general election excepted) and respondents anticipated no major changes to their priorities and are preparing for a similar year to 2009 (82% of communications directors, 52% of media relations directors).

ii) For public affairs directors certain issues will remain the same (reputation, building trust, regulatory threats) but with an election looming a key priority is relationship building, engagement with the opposition (without neglecting HMG) and preparing for the changes that the general election is expected to bring.

“Capitalising on the window of opportunity created by what will be a very important general election that will result in significant change in personnel within the political elite.”

However, as far as government affairs’ activities are concerned, the general view is that companies are unlikely to get traction with any party until after the election.

“The wait until the election means no one is doing any meaningful business.”

iii) Getting on the offensive again. If 2009 was about fire-fighting, many respondents (74% of corporate communications directors) are cautiously optimistic about business prospects in 2010 and anticipate that next year will see a return to a more proactive approach to communications.

“I’m expecting a re-emphasis of what makes us unique – our points of differentiation. We’re through the storm.”

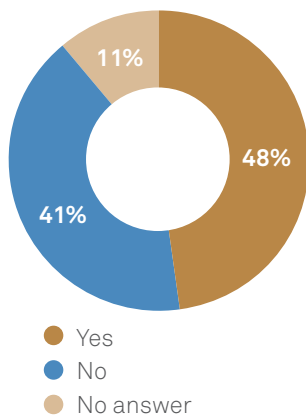
“A shift to demonstrating that the longer term benefits of everything we’ve had to do to get through the recession are now paying dividends.”

Interestingly, 75% of media relations directors (but only 11% of communications directors and no public affairs directors) are planning to significantly increase their engagement with social media, in most cases from a very low base point.

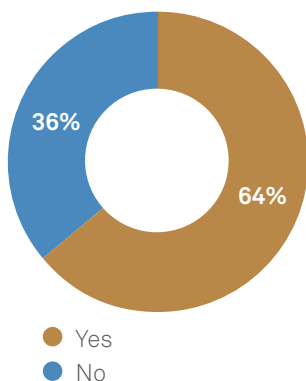
4. Do you believe your function is appropriately skilled, structured and resourced to manage the challenges, issues and opportunities that it faces?

Respondents were evenly split on this question.

Corporate Communications



Media Relations



[This question was not asked of public affairs directors]

i) Corporate Communications Directors

Those that were comfortable with the resource and talent available to them just shaded those that felt under resourced. Areas of weakness or lack of expertise are predominantly digital and public affairs.

The majority of those that answered in the negative were resigned to this situation continuing throughout 2010 due to budget constraints and the ongoing requirement to deliver efficiencies.

In this environment communications directors need and expect their team to be sufficiently flexible and versatile to work across different channels and different audiences.

“More than ever I am asking my team to broaden their skills and areas of interest. We all have to become better synthesisers, rather than analysts –building up a big picture from fragments of available evidence rather than dissecting an apparent situation or event to observe the working parts.”

ii) Media Relations Directors

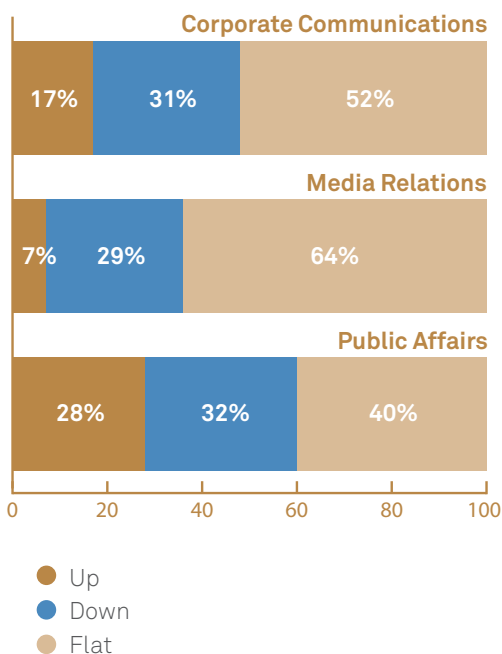
The majority (64%) of respondents believe that their media relations function is sufficiently and appropriately resourced to meet the challenges of 2010.

“Yes. Our capabilities have been tested in some pretty extreme situations in the past two years. I think the skills of the team have been demonstrated, our media relationships strengthened and the media understanding among our senior execs greatly enhanced.”

However, 36% believe that they aren't sufficiently resourced and have more work to do in terms of structuring their teams. Skills identified as missing and which will become increasingly important in 2010 are: the ability to leverage opportunities presented by a global media landscape; the ability to influence senior management to create a more compelling and engaging narrative when telling the company story; deeper understanding of digital media and an ability to integrate it into media relations programmes.

“Skills and resources are constantly playing catch up with the changing requirements of the role.”

5. What are your budget expectations for 2010 and what impact do you anticipate on both headcount and agency expenditure?



The outlook is not particularly optimistic with over two thirds of respondents expecting budgets to be flat or down on 2009.

Predominant themes we identified were:

Any increases or decreases during the coming year will be project-led. They will not, in other words, relate to headcount increases or reductions.

“We hope to have budgets increased because of the potential for political intervention next year.” [public affairs]

The majority of respondents have made significant budget cuts during 2009 and there is little scope to make further cutbacks. Shelving projects or cutting back on agency spend are the only realistic options.

“We are very lean as it is.”

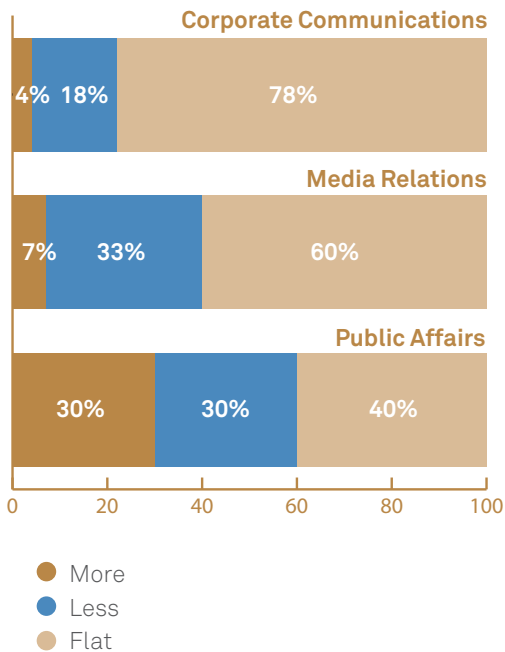
Approximately one third of respondents (across all three areas) are resigned to a further budget decrease, given that all corporate functions are expected to deliver further efficiencies in 2010.

“Our budgets can only go backwards – every department is being asked to scale back, but especially in communications.”

“Budgets only decrease in my experience. Ironically the work that we are doing to get us through the credit crisis is not expensive. Expensive media relations is when you have to create news in order to get a profile.”

The overall outlook can therefore be summarised as **doing more with the same or less.**

6. Are you planning to increase or decrease expenditure on agencies?



The discrepancy between corporate communications and media relations on the one hand and public affairs on the other can be partly accounted for by the fact

- i) that some of the public affairs respondents sit in different budget areas to corporate communications/affairs.
- ii) A more ‘bullish’ mood amongst public affairs heads who anticipate getting the budgets they need to deliver a more intensive public affairs programme in 2010.

Overall agency expenditure is forecast to remain steady. Agency retainers will remain pegged at 2009 levels, though discretionary project expenditure is likely to decrease (public affairs excepted) as projects requiring agency support are shelved. All respondents noted that they will expect their agencies to be more competitive on pricing with the majority likely to require increased levels of activity for the same fee.

“I expect our agencies to deliver further efficiencies and to continue to share the pain.”

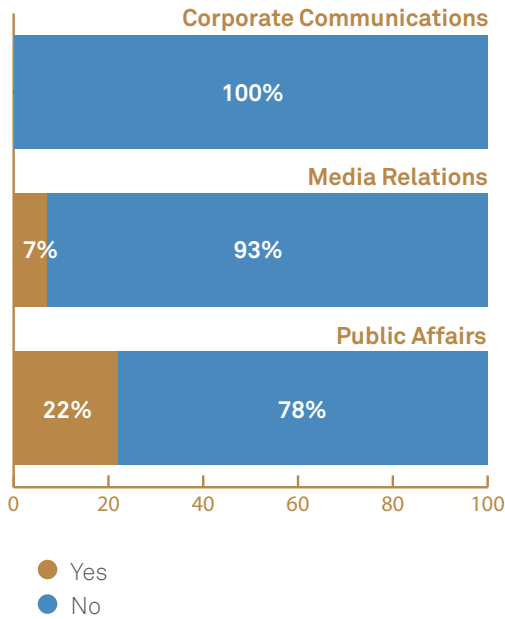
“I won’t be expecting them to be seeking an increase in fee next year.”

Those planning to reduce agency expenditure are primarily focusing on bringing some activities back in-house or increasing their usage of freelance specialists.

“If anything we will look to build our in-house capability and reduce reliance on external support. There is no room for complacency in the agency world.”

“Likely to move more in-house. Directly contracted freelancers are working well for us. They integrate into our business better and become part of the team.”

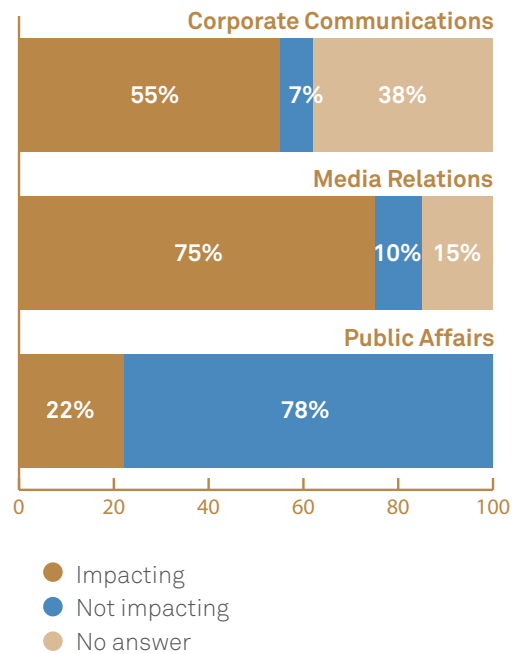
7. Will you be looking for additional expertise from your agencies in 2010?



At a time when few communications functions have the budget to incur additional expenditure it is not surprising to learn that there is very little interest in any extension to the services, advice and expertise currently available to them.

22% of public affairs directors mentioned that they would be seeking knowledge of, and insight into, the Conservative Party from their agency.

8. To what extent are digital media having an impact on your organisation and the way in which its reputation and engagement are managed?



Most respondents in corporate communications and media relations recognise the growing importance of digital communication and are planning to significantly increase their social media activities in 2010. The majority of public affairs directors do not yet see social media as a significant risk or opportunity.

i) Corporate Communications:

Whilst over half (55%) of corporate affairs directors believe that digital media is having an impact on their organisation and the way in which its reputation and engagement are managed, only 38% had a digital communications strategy in place. The majority recognise it is an area of growing importance and are planning to increase their digital and social media activities in 2010.

“We are at the bottom of a steep learning curve.”

“Not responding well enough. A priority for 2010.”

ii) Media Relations:

The vast majority (75%) of media relations directors are acutely aware of the impact online media is having on their organisations, but most noted that they were still in the early stages of integrating social media into their media relations activities. 2009 has seen most media relations practitioners exploring how they will utilise social media programmes in their media relations strategy rather than actually implementing online activities.

“...treading carefully and only scratching the surface, but feeling increasingly confident about the value (of social media). Tools may come and go but I believe that social media will rapidly become the norm; especially if people can trust the content.”

“We are not super confident about social media, but are certainly not sitting back. We know it’s important and more needs to be done.”

iii) Public Affairs:

The research shows that digital, so far, has had limited impact in the public affairs space; monitoring blogs being the extent of it. Respondents acknowledge that some of the political bloggers – ConservativeHome, Iain Dale and Guido Fawkes – do add a new element of risk, but there is no real concern about this level of risk as yet.

“Politicians are nowhere in terms of using social networking for political purposes.”

“Massively overdone – politically influential only in so much that they (the blogs) are a source of news for the media.”

A smaller number of respondents disagreed with these sentiments and observed that, for them and their companies, digital had become a highly influential medium and one that had been fully integrated into their public affairs programme:

“It has totally shifted the way issues play out – it makes them global very quickly.”

“Yes, we are all on Twitter and see the benefits of engagement.”

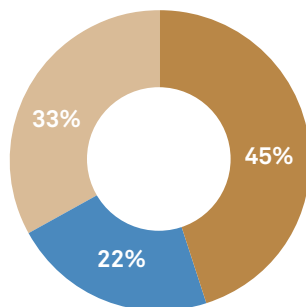
A number of the ‘agnostics’ conceded that the public affairs “industry” (in-house and consultancy) needed to get more engaged with social media and improve its understanding of its potential.

“It has not got its head around how to use social media.”

“Overall the business hasn’t fully grasped the possibilities of new media. We still think very much in terms of print and broadcast journalism.”

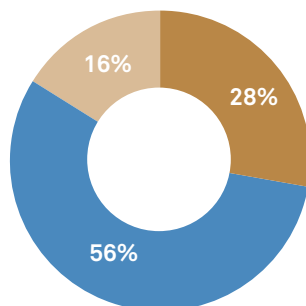
9. Do your agency partners understand your digital needs and are they properly planning and activating digital channels in their approach?

Understanding our digital needs



- Yes
- No
- To an extent

Planning/Activating



- Yes
- No
- To an extent

The overall message was that some 78% of respondents believed that agencies understood or partially understood their digital needs, although this figure dropped to 44% when they were asked to comment on their agencies' ability to plan and activate digital activities.

Key findings include:

- Consumer PR agencies perceived to be ahead of corporate, financial PR and public affairs agencies;
- Agencies are relied upon for ad hoc support and execution rather than strategic planning (done in-house if at all);
- There are plenty of service offers, but no one can really come up with a strategic solution;
- Although agencies are perceived to be ahead of corporates, there is still a sense that this lead is not significant and that both parties are on a journey together.

"I don't think anyone truly gets it. Everyone is on a journey and I sometimes think that we are all learning at a similar pace."

Media Relations Specific

i) What impact are the two concurrent trends – decline in circulation/readership of key nationals and fewer journalists covering more beats/sectors – having on your role?

Over 75% saw the changing media landscape as a major challenge in that high staff turnover in newspapers, fewer sector specialists and the decline in actual news pages have made it more difficult to build and maintain relationships with journalists.

"There are fewer and fewer specialists in the media... It means that someone who is new to us will often file ill-informed copy. This is as much a disservice to that publication's readers as to us the subject. The ultimate outcome will unfortunately be far fewer credible outlets for news on our sector."

Four common themes emerged:

- i) More time briefing non-specialist journalists.

Cutbacks at newspapers mean fewer journalists and those that do remain are covering multiple beats. As a result they don't have the time to delve deep into companies and don't always fully understand their sectors. Media are less informed about their subject matter and are often reporting on a myriad of different issues across various industries.

“Dealing with a smaller number of publications as certain nationals’ business coverage dwindles; however, more intensive contact with those that remain, taking more time to explain the details as they become ever more stretched in their own roles and therefore less on top of their beats.”

- ii) Increased focus on, and contextualisation of, broader business and financial issues.

Due to the fact that there are fewer journalists covering more beats, the media has become more interested in macro economic issues and the wider business and financial stories. They are increasingly interested in companies which have a global view of macro economic dynamics, and who can contextualise their company messaging within the wider economic and trade environment. In previous years, the media had less interest in risk, balance sheet, credit exposure, ability to raise finance etc; now there is greater interest in and coverage of these subjects. Consequently, media relations practitioners now need to have greater awareness of the wider context of their corporate stories and ensure they tailor their activities and messages accordingly.

“The downturn means that media, analysts and investors focused on different metrics. For example, what was seen as a ‘lazy’ balance sheet prior to the downturn was championed as ‘strong’ in 2009.”

- iii) Stronger focus on stimulating comment and debate.

With fewer journalists covering more sectors, some respondents (albeit a minority) are planning to focus their attention on the small band of journalists who remain specialists and who are strong influencers.

“Greater emphasis on comment as opposed to factual reporting.”

As a result, a number of media relations practitioners are adapting their activities and are focusing more on seeding stories to influence opinion and commentary with both traditional and online commentators.

- iv) A shift to social media engagement.

Declining newspaper circulations are also forcing media relations practitioners to look beyond traditional newspapers and focus their activities on social media.

“More awareness in our business of social media this year and the opportunities it brings to reach new audiences quickly.”

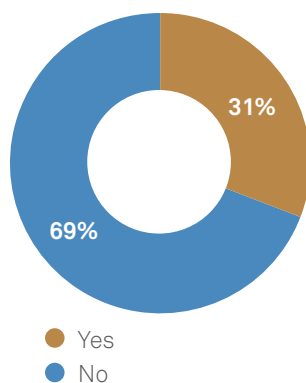
Despite the challenges, a number of respondents viewed the decline in newspaper circulation as an opportunity as well as a threat. Because the media have less time to research or find stories, they are becoming increasingly reliant on media relations teams for their news sourcing.

“[Whilst] it’s harder to educate and interest both reporters and editors, on the flip side a relevant and well developed story idea will tend to be seized upon.”

“Journalists have less time to research or find a story – a situation that presents risks as well as opportunities. The opportunity is that they are hungrier than ever to be fed stories and to work with a communicator who knows – and can deliver – what they need in the time frame they have.”

ii) Has the decline in newspaper circulation had an impact on your broadcast strategy?

Media Relations



Only 31% stated that the newspaper decline has directly impacted their broadcast strategy, although the majority stated that they will be targeting this medium with renewed vigour in 2010. This increased focus is due to the ability to reach large audiences through this medium, rather than the decline in newspaper circulation.

“It hasn’t directly impacted our broadcast strategy, but broadcast has become more of a priority. Because of the web, news now travels so quickly and the volume has increased. As a result, we need to focus on the medium which gives us the ‘biggest bang for our money’. And that’s broadcast. Added to that, broadcast is now focusing much more on business news (witness the rise of Robert Peston), so there are plenty of opportunities for us there.”

Public Affairs Specific

i) How is your company preparing for the post-election situation and who do you believe will be the most influential politicians next year?

Most public affairs functions have been conducting a Conservative outreach programme for the past 12–18 months, seeking to understand and influence Conservative Party thinking on key issues impacting their business. And to ensure they know the relevant PPCs. Respondents identified the following politicians* as being the most influential in 2010:

Conservatives: David Cameron, George Osborne, Philip Hammond, Oliver Letwin, Francis Maude, Michael Gore, William Hague, Steve Hilton, Mark Prisk.

Labour: Peter Mandelson, Ed Milliband, James Purnell.

ii) What is your experience to date of the Conservatives’ willingness to engage with business? Do you believe their approach to regulation to be more interventionist than that of the Labour Party?

The majority, 62%, stated that the Conservative Party was open to engagement with business. 22% of respondents reported that it was a “mixed picture” and that the Conservatives were only prepared to engage on their terms. However, this was improving as the Party gets closer to power and as it realises that businesses will be the key to getting much of its agenda actually delivered.

[* and their respective advisors]

“The Conservatives are not anti-big business but they are against companies which are not seen to provide a ‘social good’ other than to provide a return for shareholders. They also appear scarred by being ignored between 1997 and 2005 and are taking revenge against companies which failed to engage with them during that time.”

“Yes, but with a typical amount of arrogance not backed up by talent from the advisors, many of whom are so unaware of market economics that they would not be aware whether what they propose is more interventionist or not.”

“Less willing to engage unless you/your company are prepared to put some overt support their way.”

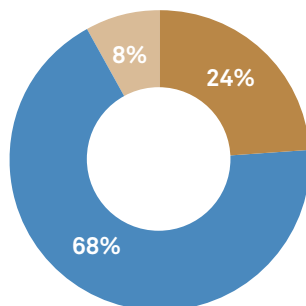
Those that believed that a Conservative Party would be more interventionist based this view on the state of the economy and the consequent need for government and state intervention to restore health. Also the Conservative’s climate change agenda is likely to generate additional legislation and regulation.

“I wouldn’t be surprised if we didn’t have a carbon tax.”

“Normally it is the less experienced Tories that want to intervene the most.”

The majority of respondents believe that the Conservative Party approach to regulation will be less interventionist than Labour.

Public Affairs



- More
- Less
- Don't know

Watson Helsby
22 Grosvenor Square
London
W1K 6LF
United Kingdom

Tel: +44 (0) 20 7493 2023
Fax: +44 (0) 20 7518 8419
info@watsonhelsby.co.uk
www.watsonhelsby.co.uk