Risk, Reputation & Corporate Affairs

Organisations need to work hard at winning hearts and minds. ***Nick Helsby****, Managing Director of executive search firm Watson Helsby, tells Criticaleye why the Corporate Affairs Director must play a proactive role in building trust with stakeholders while ensuring reputational risks are covered*

The future of an organisation, its shape, assets and performance, increasingly depends on external forces. In order to manage this, it's vital to understand the views of various stakeholders and to have a keen sense of where the risks to reputation may lie.

It's why the role of Corporate Affairs Director has come to the fore. He/she must be able to lead a function that not only protects the company's reputation in a crisis, but has the foresight to implement strategic plans that build high quality stakeholder relationships, internally and externally.

Nick Helsby, Managing Director of Watson Helsby, an executive search firm, believes the effective management of corporate affairs is more crucial than ever. He spoke to Criticaleye about how the role has changed, and what makes an effective corporate affairs leader.

How has the role of corporate affairs changed?

It has become increasingly important due to number of trends. The first ►

is the shift in public and political mood, resulting in the decline of trust among not just stakeholders, such as the media and government, but broader society. This creates a whole new set of expectations and obligations that boards need to be sensitised to. Politicians see 'political capital' in pandering to the shift in public opinion, and the way the political and media agenda has swung against the utilities industry is a prime example of this.

Then there is the accelerator effect of social media and the sheer speed at which something can escalate from being seemingly minor into a major reputational risk. These issues can emerge from nowhere within hours, if not minutes, and often have the potential to induce panic among senior executives, so it's critical that there is someone at the top who understands how to deal with these issues and can advise accordingly.

There are also now a multitude of online communities, Mumsnet for example, which have a large audience and can have a significant influence on public opinion and the policy of government, and companies therefore need to monitor and engage with them. Interest groups, bloggers and citizen journalists can quickly find a very public voice online, and as a result campaign groups can form overnight and very effectively mobilise public opinion against a company.

The need to understand and communicate more effectively with external stakeholders is now a business imperative which has elevated the importance of the corporate affairs director. They are responsible for identifying and mapping these stakeholders, calibrating their importance, influence and agendas; then advise on how and when a company should engage with them.

> *"For many, it's only when a crisis breaks that they realise how important the role is"*

Reputation has also become, at times, unpleasantly personal. Leaders are scrutinised, their competence publicly questioned by the media, politicians, the public and even employees, more than ever before.

CEOs and executives, particularly those of companies that are household names, are acutely aware of risk to their own reputation as well as the company they work for. They need someone that can advise them on the public and political mood, and the pulse of the media agenda, because the consequences of misjudgment can be severe.

What makes an effective corporate affairs director?

We conducted some research into the corporate affairs function earlier this year, interviewing experienced corporate affairs directors, CEOs, consultants, government advisors, and academics. From those conversations, we identified the unique contribution of the corporate affairs leader to the leadership of an organisation was as follows:

- Creating a narrative around strategy and purpose
- Communicating current affairs and bringing the outside world in
- Preventing and mitigating the impact of damaging decisions
- Driving performance, value, growth and reputation
- Forging high-quality stakeholder relationships
- Curator of corporate character – holding a mirror up
- Providing employee insight
- Concigliere and sounding board
- Crisis and incident management

How closely should the corporate affairs leader be working with the senior management team?

This is about risk, reputation and authenticity. They need to ensure the CEO – and other leaders in the organisation – are telling a compelling and consistent narrative, internally and externally. It doesn't matter how good a company's strategy is, if the CEO and other members of the board can't communicate a compelling story, it won't gain traction.

It's the job of the corporate affairs function to decipher what stakeholders are thinking and anticipate what needs to be communicated to them, and advise the CEO and other senior executives on the best approach. They should also be building high quality relationships with key external stakeholders, both ▸

for the organisation and key executives, without which the company can become vulnerable and disadvantaged.

The unique vantage point that the corporate affairs function has – the interface between an organisation and its stakeholder ecosystem – also enables the leader of the function to advise senior executives on the potential impact of leadership and organisational behaviours on external and internal stakeholders.

If there are glaring gaps between a corporation's behaviour and its narrative and values, the corporate affairs director can a play a key role in 'calling' these and helping to ensure these gaps are closed. By doing this they can help build trust and credibility.

What evidence is required to back-up a suggested course of action?

Historically, judgement, intuition and insight but increasingly you need KPIs, robust data and metrics to support recommendations, since intangible assets such as reputation and stakeholder goodwill demand rigorous representation at board level.

Directors of corporate affairs also need excellent negotiation skills and the courage to question the senior management about their proposed actions. For example, if they know an action will be perceived negatively by stakeholders, like an increase in salary and bonuses when profits and shareholder value have gone down.

The stakeholder intelligence they bring into the company, along with the analysis of reputation risk, has to be extremely sophisticated, much more so than ten-years ago.

Is the role valued highly enough?

In 2013, we conducted research on 97 companies in the FTSE 100. We found that 77 per cent of those companies now employ a dedicated Group Corporate Affairs Director, compared to 73 per cent in 2012. However, only 43 per cent of Group Corporate Affairs Directors were found to be a member of the executive committee in 2013, which is down from 46 per cent in 2012.

Many companies still underestimate the importance of the role and under-utilise its value, notably in sectors that have more of a B2B model and where engineers, often less mindful of intangible assets such as reputation, relationships and a strong narrative, predominate in the senior team.

For many, it is only when a crisis breaks that they realise how important the role is, whereas if they had paid more attention to its operational and strategic value, or engaged with stakeholders at an earlier stage, that crisis may have been avoided altogether.

It is also fair to say that a large number of organisations, particularly those with a defensive mentality, fail to appreciate that the function, if well led, can be a driver of value, growth and performance. It can shape the external environment and grow the reputation of an organisation, therefore creating the conditions for business success. But this requires a significant shift in mindset.

Are some boards being neglectful of what stakeholders may think?

There are boards that are quite introspective when making strategic choices and operational decisions and fail to factor in the external environment. They need to be made aware of political and regulatory developments, as well as their stakeholders moods and expectations that may act as a constraint on what an organisation wants to do. As one CEO once remarked to me: "We need to know how we are perceived through the lens of the stakeholder, how we look to the outside world."

Senior managers often fail to build stakeholder impact into their risk assessment. Misjudging this or failing to take into account the implications can ultimately result in significant value destruction.

It's the corporate affairs director who can bring this all important external perspective, and who is best positioned to advise on how things will play out. They help inform the strategy and other business initiatives, so they should be a member of the executive committee – or at least present at meetings. ■

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Nick is a founding Director of Watson Helsby, an executive search firm that focuses exclusively on senior level recruitment within the key corporate affairs and communications, financial and brand communications disciplines.

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