

THE CHIEF COMMUNICATIONS OFFICER

Korn/Ferry's 2012 survey of Fortune 500 companies



About the survey

Korn/Ferry International's Global Corporate Affairs Practice invited the senior-most communications executives at the 2012 Fortune 500 companies to take our thirty-three question survey online. Responses were collected in May 2012.

A total of 148 individuals completed the survey, but not all answered every question. Response counts varied from 127 to 147 for all queries related to demographics, department structure and responsibilities, and compensation. We have calculated percentages based on the number of respondents for each question. In some cases percentages may not total 100 because of rounding.

Questions about changes to the CCO role and leadership competencies, where participants could choose multiple answers, drew responses from between 69 and 135 individuals.

Korn/Ferry International conducted a similar survey in the spring of 2009 with data reported covering the 2008 calendar year. That survey was also targeted at Chief Communications Officers (CCOs), specifically those at Fortune 200 companies, and had a response rate of 67 CCOs. In some cases, the 2012 survey compares data against this benchmark survey.



Introduction

In today's highly dynamic and hyper-competitive environment, businesses face near-constant and unavoidable disruption—whether the cause is increased governmental oversight, investor scrutiny, activism from NGOs, fickle customers, or new and nontraditional competitors. As a result, companies in virtually every industry are in the midst of radical transformation.

The communications function and all of its related disciplines—public affairs, corporate communications, investor relations, and corporate marketing—are taking on greater strategic importance in this new landscape. Historically, these roles tended to operate within predictable organization silos, but that is shifting as technology and the rapid adoption of new media have disintermediated the channels through which stakeholders gather information and engage and interact with companies.

Against this backdrop, the role of the Chief Communications Officer is evolving rapidly. Increasingly CEOs and boards expect their CCOs to be more than functional experts. Rather they need CCOs who are multidimensional strategists and advisors, collaborative leaders who can develop, integrate, and align, as well as execute both offensive and defensive strategies. At the same time, CCOs are being called upon to be organization problem solvers, integrators, and the “go to” person to help drive important enterprise-wide initiatives that don't otherwise have clear organizational accountability.

CEOs and boards need CCOs who are multidimensional strategists and advisors, collaborative leaders, problem solvers, and integrators.

The 2012 Korn/Ferry survey of Fortune 500 Chief Communications Officers sheds more light on the changes taking place by gathering insight from those on the front line. This report explores the expanding scope of the role, the skill sets CCOs believe are needed to be successful today and in the future, and how leaders are being compensated in this increasingly important position.

Executive summary

Against the backdrop of a radically changing business landscape, the role of the top corporate communications officer is expanding both in scope and influence, according to the 2012 Korn/Ferry Chief Communications Officer Survey of Fortune 500 companies.

Korn/Ferry International's Global Corporate Affairs Practice conducted a survey of those who lead the communications function at major multinational organizations during May 2012 to assess what forces are impacting the role and how those are shaping the executives themselves. Nearly one-third of Fortune 500 CCOs participated in this study—sharing their insights and perspective on the scope of their responsibilities, their organization and compensation structures, and the emerging challenges they face.

The big picture

Our findings suggest that communications executives increasingly are asked not only to advise leadership during challenges and crises, but also to take part in defining the company's strategic direction and articulating an updated corporate narrative. At the same time, CCOs are expected to exhibit a high degree of management savvy by closely managing budgets and teams, working within matrix structures, and scaling up and down quickly and effectively.

Shaping and safeguarding the company's reputation, a point of particular vulnerability in the era of social media, is becoming an extension of the CCO's functional mandate. Perhaps because of that, some CCOs have seen their duties expand to include functions that had previously reported directly to the CEO or through other C-suite offices such as marketing, government affairs, public policy, or investor relations. Newer areas—including social media and corporate social responsibility—are now also falling under the CCO.

A few notable data points include:

- 84 percent said they are giving more attention and effort to providing leadership on reputation, values, and culture in their companies.
- 42 percent of respondents have added social media to their mandate in the last two years.



Being a better leader

With the elevation of this role comes raised expectations among the C-suite and board, which expect CCOs to have broader leadership and business skills. CCOs say the role now requires better business acumen, creative problem solving, and the capability of developing/leading and mentoring first-rate teams that are nimble, high-bandwidth, and focused on delivering results.

Among other leadership characteristics and competencies that survey respondents said have become more important to CCOs in the last few years were the following:

- 76 percent listed Understanding the Business (business acumen, technical skills, and learning).
- 58 percent listed Making Complex Decisions (learning on the fly, intellectual agility).
- 49 percent listed Creating the New and Different (innovation, creativity, gaining new perspectives).
- 45 percent listed Courage (dealing with trouble, handling conflict, taking a stand).
- 42 percent listed Developing Talent and Leadership in Direct Reports.

Critical challenges

In response to an open question about the most critical challenges facing CCOs, several themes emerged. Executives are endeavoring to determine how best to integrate social media and to find the staff and financial resources to manage it along with other forms of new media. Many pointed out that communications budgets are still lean, even as resources have been restored elsewhere in the company. The accelerated pace of business overall also has CCOs feeling the need for additional staff.

Some key comments from CCOs:

- “We’re managing reputation in a world where the long-established rules of engagement simply no longer exist.... Getting our message directly to the constituents that matter to us, rather than expecting the media and others to do it for us.”
- “Addressing increasing demands of social media/risk/opportunity with the same resources due to economic environment.”

- “Keeping pace with the dynamic channels that are giving more powerful, amplified voices to stakeholders—and strategically aligning messaging, content, and resources across those channels to serve multiple stakeholder purposes.”
- “Continuing to demonstrate ROI in the new media environment.”
- “Strength of bench talent: Developing the next generation of strong communicators who can operate well in a fast-paced environment and demonstrate strategic intuitiveness along with the technical competencies needed to manage communication for multiple stakeholders across multiple platforms.”

Expectations of the C-suite

Korn/Ferry also asked CCOs to list “the biggest concerns you hear from the C-suite about your function.” Some key comments:

- “Aligning the organization and creating advocates internally and externally.”
- “Demonstrating business results.”
- “The need to more aggressively and proactively manage our story in the marketplace where we have less control.”
- “Corporate leadership, along with those managing the reputation of the firm, are increasingly frustrated with the degrading journalistic standards of the established press.”

Evolving roles

As CCOs adjust to the shifting business climate, some are taking on additional and/or new responsibilities for a wider variety of communications disciplines. Some, for example, have added responsibility during the past two years for government relations, investor relations, sustainability, strategy, or marketing.

- 87 percent are responsible for corporate reputation.
- 67 percent handle social media strategy.
- 57 percent oversee community relations.
- 56 percent are responsible for corporate philanthropy.
- 7 percent have taken on government relations.

Profile of the Chief Communications Officer

Today's most typical chief communications officer is a 51-year-old man (56 percent) with an advanced degree (53 percent) who manages an internal team of under fifty people.

Nearly 90 percent of our survey respondents identified themselves as white or Caucasian, while 2 percent were African-American or black, another 2 percent were Hispanic, and 6 percent were either Asian/Pacific Islander, multiracial, Native American/Alaska Native or declined to state.

Figure 1
Educational degrees

All of the respondents had earned a bachelor's degree, and nearly half have an advanced degree.

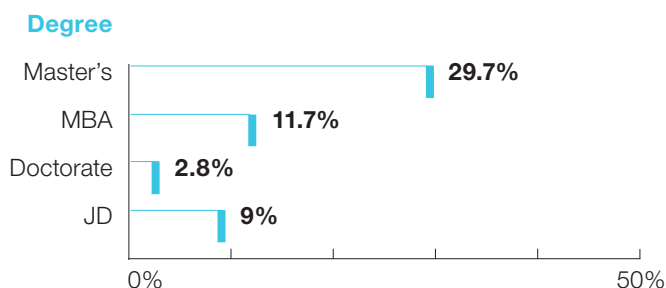


Figure 2
Age

The age of survey respondents spanned 30 years, but experience was clearly required to reach this top post: 4.2 percent were under 40 years old. Nearly half of today's CCOs are between 46 and 55 years old, and slightly more than 5 percent are 61 or older.

Age on Jan. 1, 2012

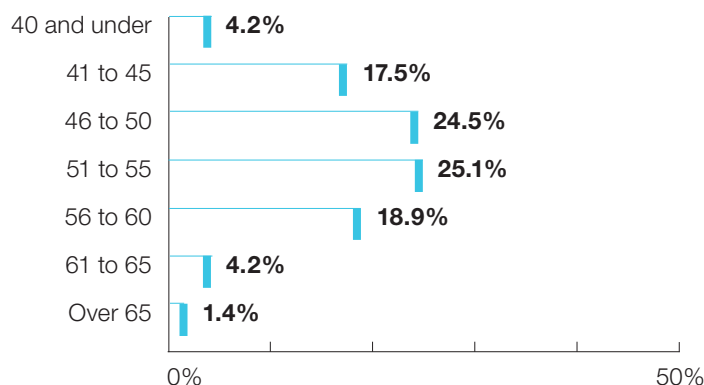


Figure 3
Career experience

Top communications executives tend to have garnered experience at a number of different companies (median number is five) on their climb up the career ladder. Nearly 32 percent had worked only in corporate communications. Other types of experience in this group included: government (29.4 percent), nonprofit (21.3 percent), and agencies (41.9 percent).

Total number of employers

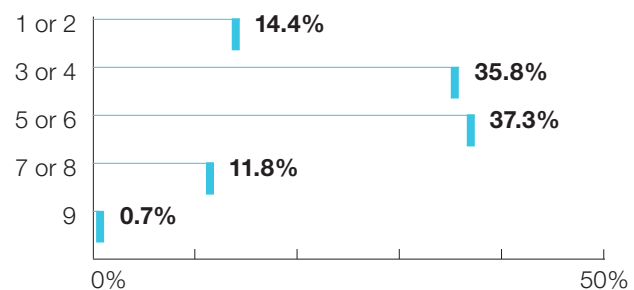
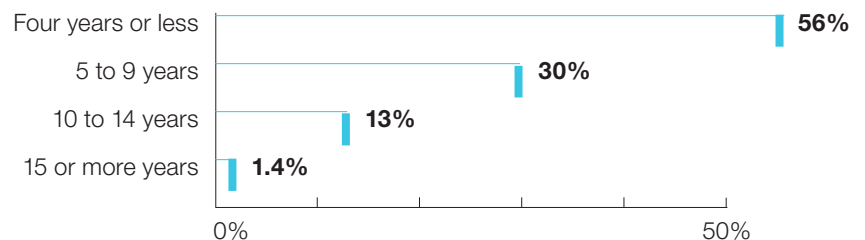


Figure 4
Tenure in current role and company

In the aftermath of the recession and financial crisis (as well as an era of shorter tenures of CEOs), there appears to have been significant turnover at the top of communications departments: more than half of the respondents (56 percent) have been in their role for four years or less. And 34.5 percent have been with their current company four years or less. That said, most appear to enjoy the work: 71 percent said they would stay in this field for the remainder of their career.

Years in current position



Years at current company

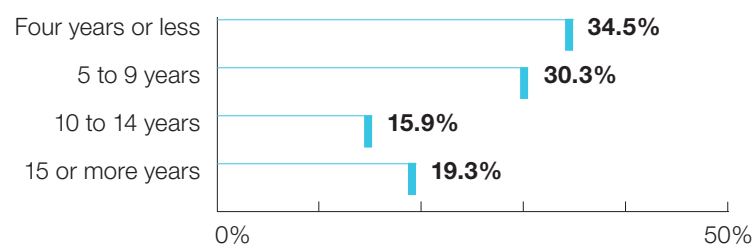




Figure 5
Job title

The head of communications is a vice president nearly half the time, and senior vice president about a quarter of the time. More than 60 percent reported being a corporate officer (though only 28 percent said they were subject to SEC rule 16b, which requires corporate officers to report stock ownership or sales).

Of those who were not corporate officers, half are part of their company's senior leadership team. Many executives have multiple titles, e.g., Senior Vice President and Chief Communications Officer, so the percentages add up to more than 100.

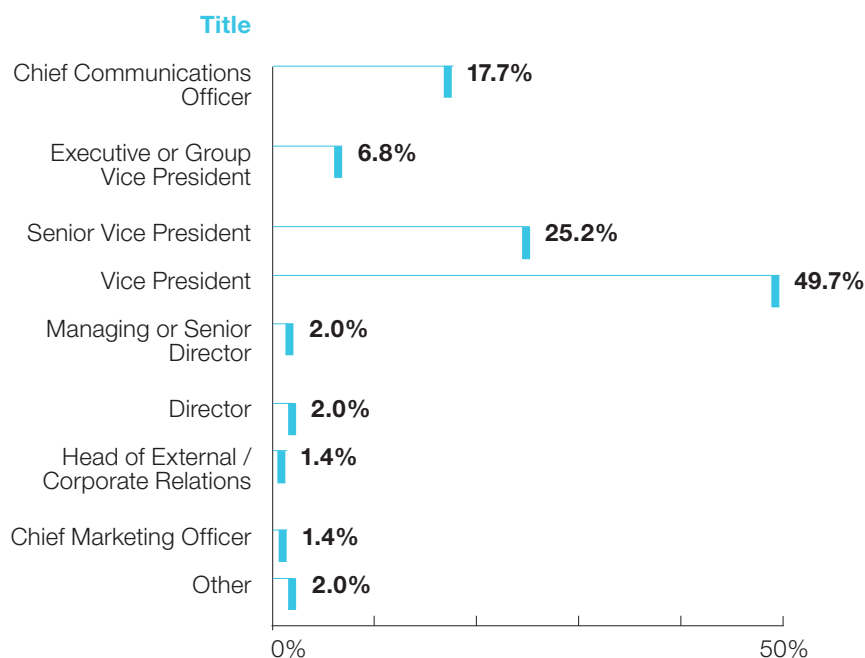


Figure 6
Reporting structure

Top communications executives most commonly report directly to the CEO, and if not, to someone in the C-suite. But a few listed atypical supervisors, including the senior vice president for corporate responsibility, the vice president of investor relations, or the chief growth officer.

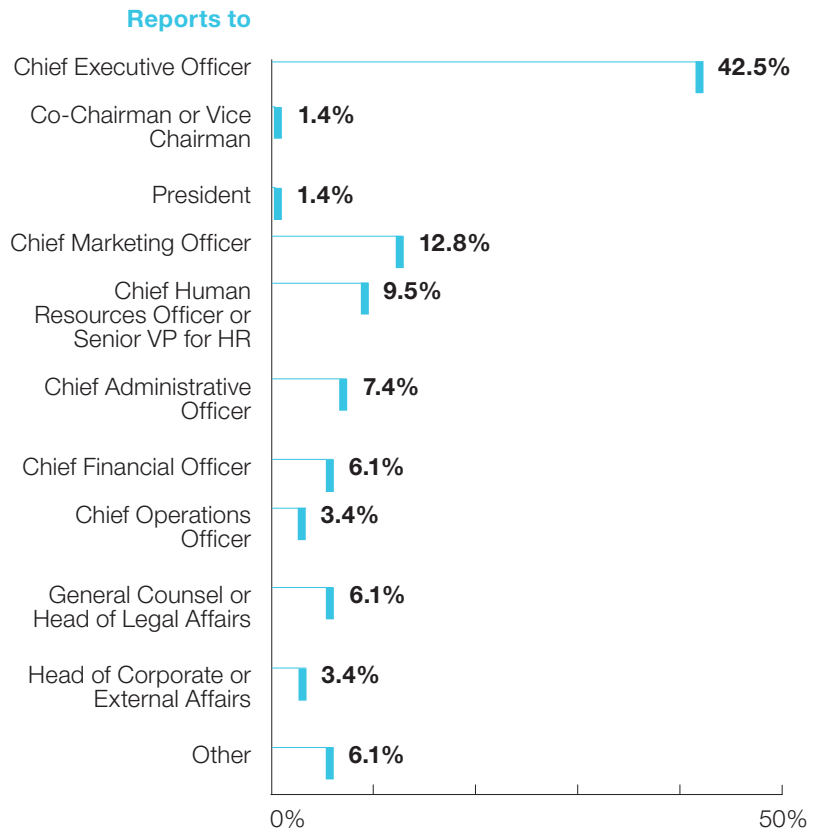


Figure 7
Department structure and staff

Even as the demands on communications are growing, staffs generally remain small. Just under 24 percent of communications teams have fewer than 10 people, and 31 percent have between 10 and 24 staff members. Nearly all—96 percent—indicated that they also use external agencies for specialty expertise, strategic counsel, or execution support.

Number of employees

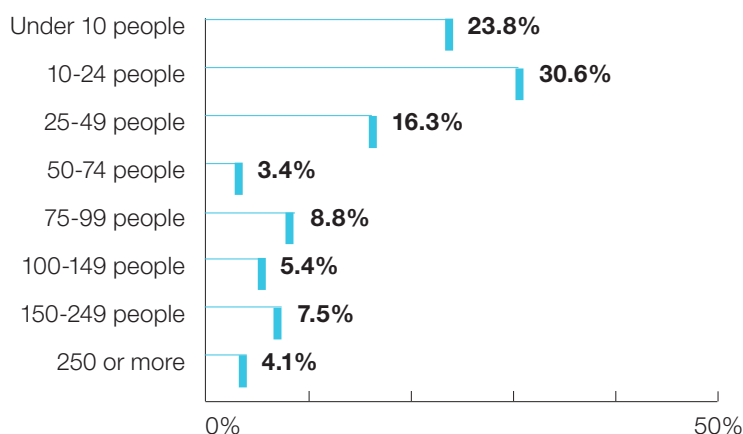


Figure 8
Succession plan

Evidence of how disruptive a vacant CCO role would be, about half of the companies represented in our survey had a succession plan in place that identified the next CCO, and an additional 30 percent had plans in progress.

**Succession plan
in place**

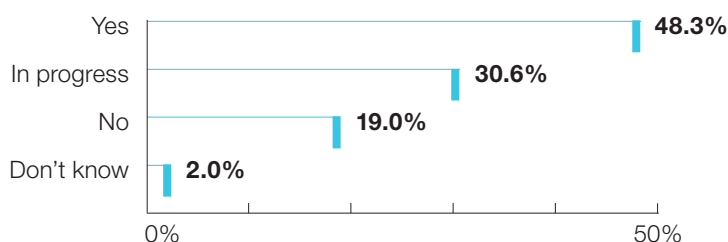
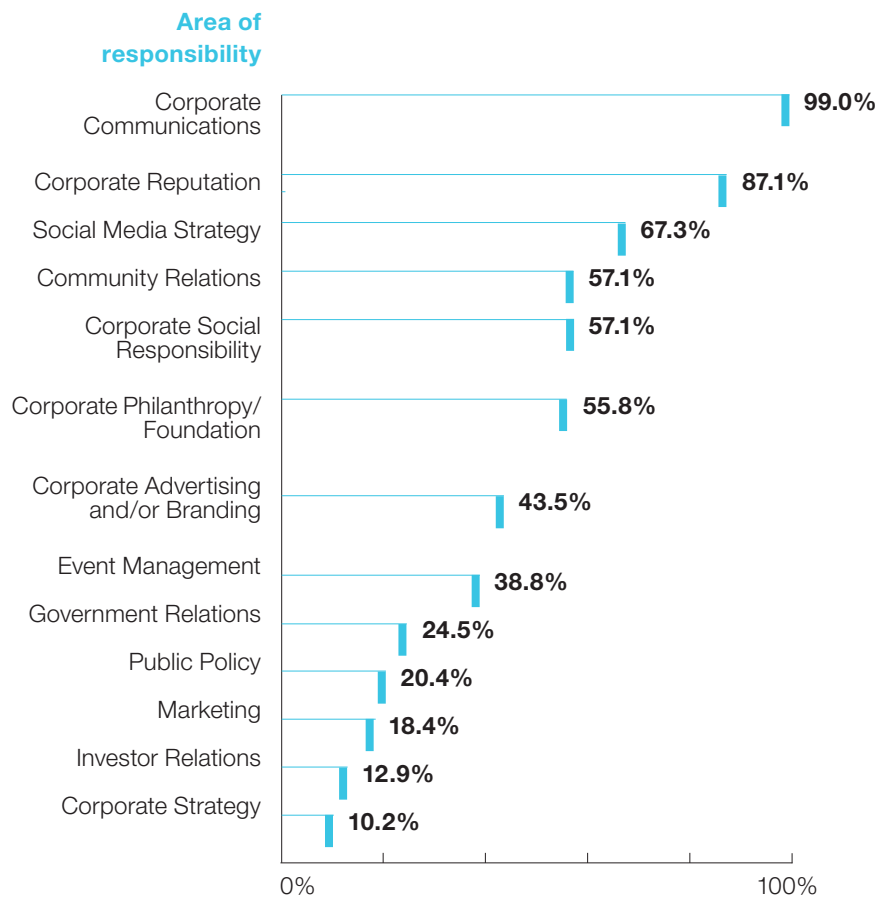


Figure 9
Scope of responsibility

Nearly all those in our survey were responsible for corporate communications. Eighty-seven percent were responsible for corporate reputation, but this is a new area for about 20 percent of them. (See Figure 11.) Beyond the responsibilities outlined below, respondents listed the following in the additional comments section: media and crisis communications, employee/internal communications, and select financial communications.



Changes to the CCO role

As industries and brands redefine themselves within their new operating landscape (which includes more governmental oversight, increased investor scrutiny, and greater customer expectations around trust and ethics), the traditional roles of public affairs, communications, investor relations, and marketing are taking on greater strategic importance and, in some cases, morphing into larger roles as companies listen, communicate, and engage with their numerous stakeholders.

The rise and rapid adoption of new media/technology have also disintermediated traditional channels for how stakeholders gather information about companies and how companies communicate their narrative. The result is that information moves more quickly (in new and unregulated channels), paid channels have lost impact, and what historically had been clear distinctions between what constitutes internal vs. external information are now blurred or nonexistent.

Against this backdrop, the role of the CCO is changing and the expectations of the C-suite and board are increasing. The skill set required to manage and lead an integrated and strategic communications function is shifting and comes at a higher premium. Increasingly, CEOs want and need multidimensional strategists who are more than functional experts. CEOs tell us they need leaders who “understand the business,” and are “problem solvers.” They also require leaders who “take initiative” and who “collaborate and integrate” to find solutions or achieve innovation. In select cases, the CCO is becoming more of a “chief collaboration officer,” taking on a chief-of-staff type role where they become the go-to executive to solve problems, implement new systems, or create new connections inside and outside the company.

Figure 10
Demanding issues

Korn/Ferry asked CCOs to identify what areas of focus are commanding more of their attention and effort than in the past.

Area of focus	Percentage
Providing leadership on reputation, values and culture across the enterprise	84.3%
Designing systems, such as an enterprise-wide social media strategy	63.4%
Defining and activating corporate character	50.0%
Analyzing data to understand how stakeholders view the enterprise	44.0%
Developing and publishing content for external stakeholders	38.8%
Understanding behavioral science to inform stakeholder engagement	22.4%

Figure 11

New areas of responsibility

Korn/Ferry asked the executives what functions or responsibilities had been added to their mandate in the past 24 months. Beyond those listed below, sustainability, market research and consumer affairs, branding, and managing political contributions also earned mention in the additional comments area.

Function or area added	Percentage
Social Media	42.0%
Social Responsibility, Philanthropy, or Foundation	23.2%
Corporate Reputation	21.7%
Community Relations	20.3%
Advertising and/or Branding	10.1%
Corporate Communications	10.1%
Event Management	7.2%
Marketing (CMO-level)	5.8%
Other Marketing Activities	13.0%
Government Relations	7.2%
Investor Relations	4.3%
Public Policy	4.3%
Corporate Strategy	4.3%
Chief of Staff Responsibilities	2.9%



Compensation packages in 2011

The wide spread of salaries and total compensation packages suggests a divide in how companies approach the top communications job. About two-thirds of our surveyed individuals listed base salaries between \$175,000 and \$349,000. At the same time a handful have base salaries that are \$700,000 and above. The gap is magnified when adding bonuses and equity compensation.

This suggests that some of the largest companies are consolidating multiple functions under a sort of “super-communications” person, who reports directly to the CEO and whose purview might comprise investor relations, government relations, marketing, public policy, and more. At the same time, other companies have kept communications more narrowly focused, with the function under the wing of marketing or another C-suite officer.

Overall, the survey findings illustrate how the CCO function is becoming broader and more vital to companies, especially as they are challenged to manage all of their stakeholder relationships and their reputations in what one respondent termed “the thousands of information streams” in “the million channel universe.”

For their efforts, most top communications executives are well paid, and count cash bonuses and equity packages as part of their total compensation. They are also optimistic about the year ahead: 65 percent anticipate an increase in salary this year and 47 percent an increase in bonus.

Figure 12
Base salary

About two-thirds of our surveyed top communications executives listed base salaries between \$175,000 and \$349,000. The median salary fell in the \$300,000 to \$324,999 range.

The median base salary for CCOs is between \$325,000 and \$349,999.

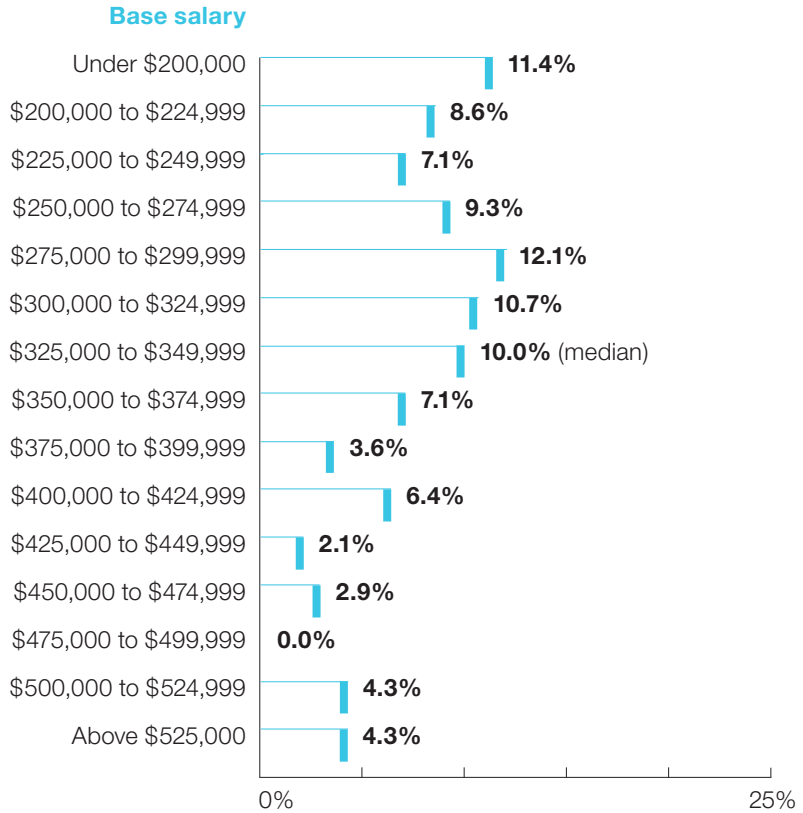


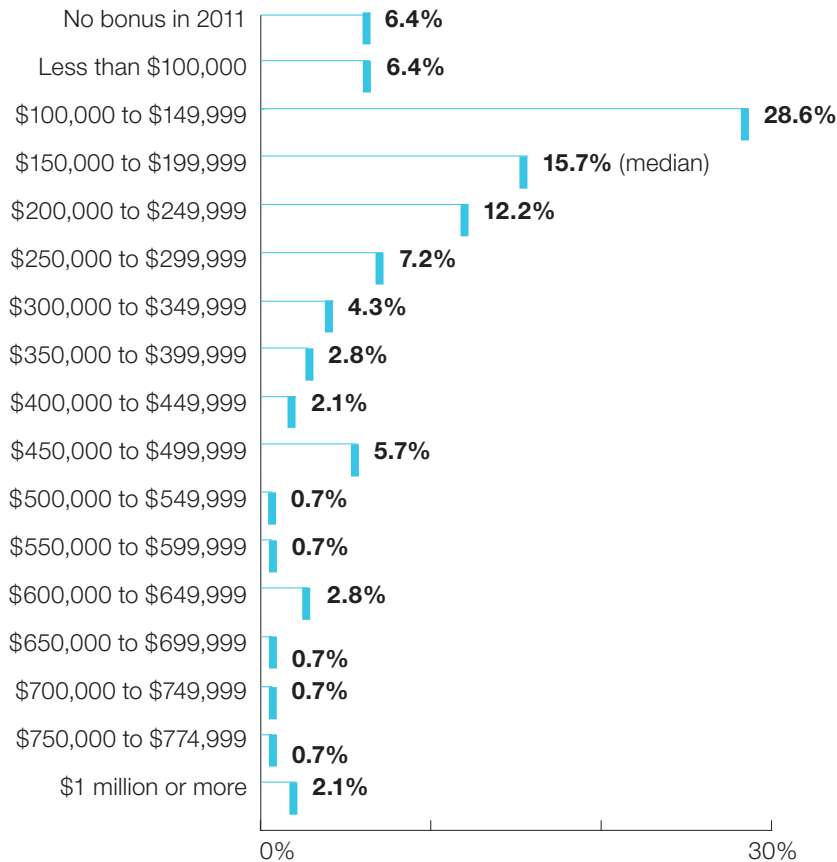


Figure 13

Bonuses in 2011

The median bonus for our survey participants was in the \$150,000 to \$199,999 range, but a few survey participants reported bonuses over \$1 million.

Cash bonus



The median bonus for CCOs was between \$150,000 and \$199,999.

Figure 14

Total cash compensation

Of the 129 survey respondents who reported earning a cash bonus in addition to their salary in 2011, the bonus increased their total compensation significantly, tipping the highest earners over \$1 million, before stock or other forms of deferred compensation. More than 25 percent had annual cash compensation of \$700,000 and above.

Minimum total salary plus bonus

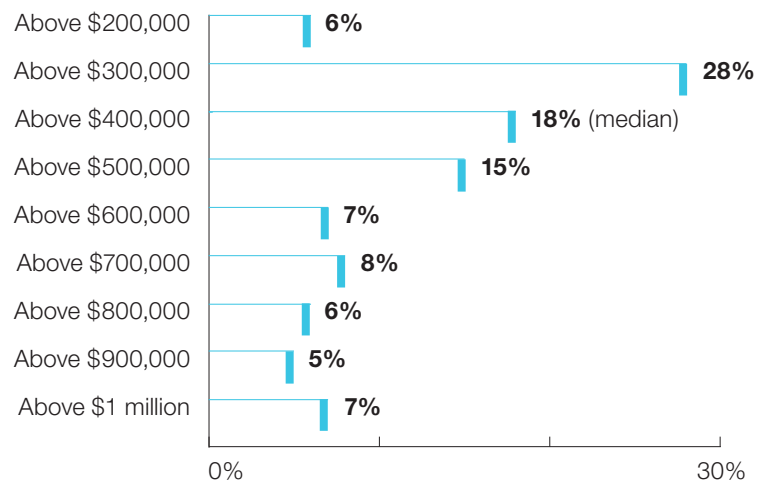
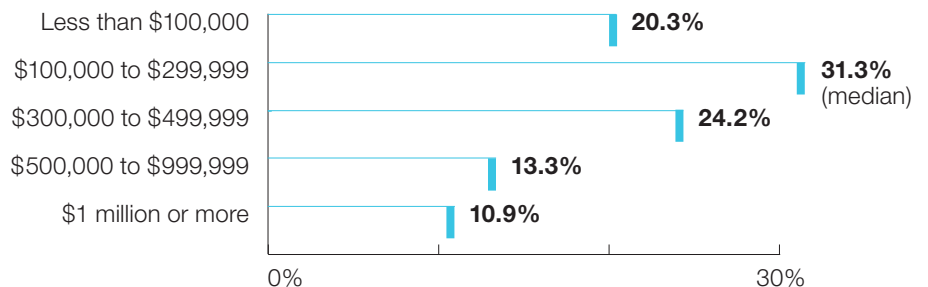


Figure 15

Equity compensation in 2011

Ninety-four percent said they received annual equity allocation, such as stock options, restricted stock units, or performance shares. Of the 128 who reported the estimated value, the median fell between \$200,000 and \$300,000. The most valuable stock grants were worth more than \$2 million and typically went to the group's top earners.

Estimated value of 2011 equity grants



The median estimated value of equity compensation for CCOs was between \$200,000 and \$299,999.

About Korn/Ferry's Global Corporate Affairs Practice

Korn/Ferry's Global Corporate Affairs Practice was established in 1991 and is composed of eight search professionals across North America. Collectively, the team has more than 60 years of search experience and 75 years of functional experience in public and government affairs, corporate communications, and investor relations. Korn/Ferry annually recruits more senior-level corporate affairs executives than all of the other major executive search firms combined. For more information, visit www.kornferry.com/CorporateAffairsRecruiting.

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The Korn/Ferry Institute generates forward-thinking research and viewpoints that illuminate how talent advances business strategy. Since its founding in 2008, the institute has published scores of articles, studies and books that explore global best practices in organizational leadership and human capital development.

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Korn/Ferry International is a premier global provider of talent management solutions, with a presence throughout the Americas, Asia Pacific, Europe, the Middle East and Africa. The firm delivers services and solutions that help clients cultivate greatness through the attraction, engagement, development and retention of their talent.

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