

COMMUNICATION

CREATES

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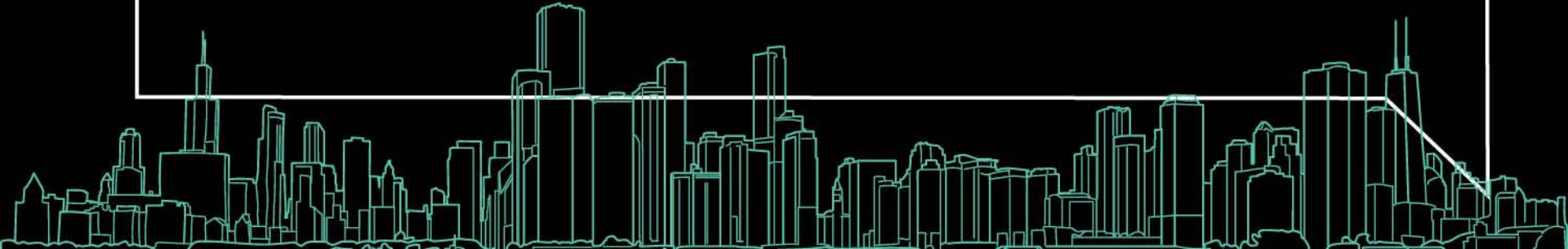
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# Future of communications: Views from the C-suite

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In 20 words or less:

**In the modern organization,  
what is the purpose of the  
Communications function?**



# McKinsey Strategic & Change Communications

We equip organizations and leaders to elevate the impact of their Communications function

**We help leaders tell their stories and create a dialogue with their stakeholders** when it matters most, such as during transformations, change programs and strategic pivots

**We build clients' individual and collective communication muscle** for the long term through operating model design and capability building



# Great Communications functions drive real, measurable outcomes for the business

## Company performance

2.5X

**Better stock performance** of companies with strong reputation vs overall market

63%

Attributed portion of a **company's value** to overall reputation by global executives<sup>6</sup>

## Customer behaviors

4X

More likely for a consumer to buy from a company with a strong purpose<sup>1</sup>

6X

More likely to support a brand with a strong purpose in challenging moments<sup>1</sup>

## Recruitment & retention

28%

Reduction in a company's workforce turnover for those with better employer brands<sup>3</sup>

50%

Increase in more qualified applicants at companies with better employer reputation<sup>3</sup>

## Reputation

20%

Increase in market value for highly responsive companies after reputation crisis<sup>4</sup>

#2

Risk to the business if reputation/brand is damaged<sup>4</sup>

## Partner relationships

44%

Alliance managers and executives highlighted effective internal comms and trust as a key success factor in joint ventures<sup>2</sup>

1. Zeno strength of purpose study (2020), Zeno Group  
2. Improving the management of complex business partnerships (2019), Backer R and Rinaudo E. McKinsey & Company  
3. How to combat talent shortage by building your employer brand (2022), Indeed Flex

4. In crisis, the risks and rewards related to reputation are greater than usual (2020), Warner J. Global Finance  
5. Here's why putting a price on reputational damage is so hard — but totally worth it (2018), Ireland, Risk & Insurance  
6. ESG: the new dimension of reputation management (2023), Dow Jones

# Companies recognize the strategic value of Comms

## Growth of the role of Chief Communications Officers

60%

Fortune 500 companies that have a CCO on their executive management team, up from 35% a decade ago

Spencer Stuart US Board Index, 2021

15%

Stock performance improvement over peers when CCO leads comms strategy

Forbes Insights, 2023

70%

CCOs reporting expanded responsibilities over the past five years

PR Week/BSG Survey, 2023

44%

Average annual budget increase for corporate communications over the past five years.

USC Annenberg Center for Public Relations, 2022



# Yet, we also see that many Communications functions experience legacy issues that inhibit impact

FROM  
TO

Behavior: Annual business plan is developed, then Comms “fills in” its support plan

**Side player in strategy development**

**Integral player in strategy development and early engagement of key stakeholders**

Behavior: Comms participates from the start on the strategy/business planning leadership team

Behavior: Comms reports to HR or Marketing as a subfunction

**Structure follows organizational hierarchy**

**Structure shaped by strategy and business outcomes**

Behavior: Comms is a strategic function, a member of the C-suite and is organized around core business outcomes

Behavior: Comms team measures success on volume of content; reports on the business v. driving the agenda

**Expectations focus on delivering information**

**Expectations focus on changing mindsets/behaviors**

Behavior: Priorities and KPIs are determined by levels of stakeholder trust and reputational risk

Behavior: Internal clients ask for a deliverable, e.g., a video, or copywriting

**Viewed by internal clients as lacking business acumen and ability to provide strong guidance**

**Viewed by internal clients as trusted advisors**

Behavior: Internal clients seek guidance from Comms on solving a business problem



# Digging deep to understand the Communications function

## Client research to date

**100+** client discussions

Client advisory sessions on challenges, opportunities, strategic direction & effectiveness of the Communications function

**45** C-suite interviews

Continuing. CEOs, CCOs, CHROs, others. Focus on alignment-gaps on current performance and future potential of the Communications function

## Representative engagements

We've advised and supported changes to Comms function operating models across geographies, sectors and industries, including transportation, retail, pharma, GEM, and government

**An end-to-end global retailer** sought greater integration and collaboration across a Comms-Marketing community of ~600

**A Middle East natural resources company** needed to elevate its Communications function from support function to strategic partner

**A public sector agency in the UK** needed to improve execution and flexibility of resources between a central Comms team and field representatives, a community of ~200

**A higher education institution** funded by the U.S. Department of Defense lacked a Communications function with sufficient resources, processes, priorities

**A U.S. start-up** needed a strong interim leader to launch a Communications function as it prepared for scale-up

# Central question of our research efforts



“What factors accelerate or inhibit the communications function from reaching its full potential?”





# Four interlocking components build Comms success

## Access

Right role, right people,  
right time, right situation

## Aspiration

Set strategic purpose of Comms  
Address misperceptions  
Continuously reinforce, role model



## Acumen

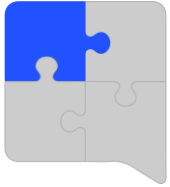
Solve for business problems with  
communications approaches  
Be solution-driven  
Know when to lean in, step back

## Alignment

Balance interests: stakeholder/  
enterprise/internal client  
Balance role of trusted advisor with  
hands-on supporter  
Build enlightened leaders

# Access

Right role, right people, right time, right situation



## Agreement

Comms must have unfettered access to C-suite/ other leaders and emerging business issues – a “seat at the table”

## Gap

Mixed opinions: whether a C-suite role is imperative for success; how the function is viewed by the broader organization

## Perspectives

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“**Communications people are most akin to the CEO** in terms of looking at the stakeholder universe.” -- CHRO

“A CEO and former boss of mine told me, ‘You are the only leader on this team who's looking at everything left to right, top to bottom. **You see it all and see that big picture as your accountability.**’”  
–CCO

“For the last 10 years, I haven't seen a lot of communicators at the table because **they get so focused on channels rather than what the business needs.**” -- CHRO

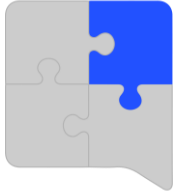
“I think the C-suite sees Comms more as a business support function than a business partner.

“That's because **Communications is not viewed as helping to *run* the business. They're helping to *report on* the business**, conveying information from the company to stakeholders. Good Communications people learn to overcome this.” — CHRO



# Acumen

Solve for business problems. Be solution-driven. Know when to lean, step back



## Agreement

Continuously demonstrate business acumen, communications acumen and solution mindset to get—and keep—a seat at the table

## Gap

How effectively the Comms team, not just its leader, exhibits business acumen

## Perspectives

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**“The best Communications teams anticipate what is needed.**

They bring real issues to the table—and they bring solutions. They don’t just say, ‘Here’s the problem, blah, blah, blah.’ They also bring ideas to fix or improve whatever needs to get done.” –CEO

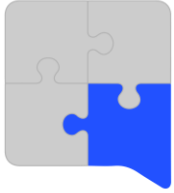
“The really good Communications people understand that leadership relies on people who help them connect the dots. And you can’t connect the dots if you don’t know the business. So, good communicators develop the perspective of, ‘This is **how we’re going to engage people in ways that will promote things that are really important**, like innovation, safety and productivity.’”—CHRO

“Critical thinking—the ability to analyze the business problem and deliver solutions—is the most critical skill needed by Comms today. **I don’t need people who can write press releases; I’m more interested in people who have the capacity to think and reason and the ability to apply those ideas.** It’s missing from the vast majority of Comms people today, and maybe even business at large.” –CCO



# Alignment

Balance stakeholder interests, advisor/hands-on role. Build enlightened leaders



## Agreement

Aligning the C-suite viewed as one of the top accountabilities for CCOs – to drive unified actions and perspectives that balance stakeholder needs

## Gap

Level of enlightenment, skills of leaders (those inside and outside C-suite) as communicators

## Perspectives

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“I don’t know what most CEOs will tell you, but 80-90 percent of the job is communications. We have 30,000 employees around the world and need everyone pulling on the oars together.

**Communications ensures alignment, transparency and relationships.” -- CEO**

“We must help leaders better understand how comms works, starting at the top. **Many leaders don’t know that a high-functioning communications organization actually brings better business results.**

And if you’ve never seen good and it’s never been important for you as a leader to explore or learn better ways to reach your audiences, why would you?” -- CCO

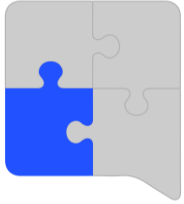
“At a macro level, the word is ‘alignment’—internally and externally; alignment with messaging and with strategy.

**Alignment helps move people to do something or think differently.** And there are some simple ways of judging that.

If you go around the world to your operations, are you hearing and seeing the same things?”  
–CCO

# Aspiration

Define strategic purpose for comms. Address misperceptions. Reinforce, role model.



## Agreement

Growing remit for Comms as multi-stakeholder strategist on critical issues and reputation; “conscience of the C-suite”

## Gap

Some view a growing remit as overreach; others report that people outside the C-suite don’t necessarily see that role as what Comms should be doing

## Perspectives

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“Comms helps us get out in front of things. They have to be involved with operations, strategy and the values of the business so they can be ahead of us. **They see all the human implications of decisions and not just the spreadsheet.**” -- CEO

“**A brand must become more relevant to a wider swath of stakeholders than just customers.** It also must thrive in a world where a single influencer can dominate a point of view across a democratized media landscape.” – CCO

“**Communications has the opportunity to present a holistic view of what stakeholders think, the commonalities and the risks, and where perception is different from reality.** We’re the only ones who can do that and do it well.”—CCO



# Questions for reflection

## Access

Is the Communications team, beyond its leaders, included in business meetings and exposed to the real challenges facing the organization, at both the business unit and functional team level?

## Aspiration

How clear is the Communications team's purpose statement?

What value does Communications bring to the organization?



## Acumen

To what extent does the entire Communications team exhibit business acumen and offer business vs. communications solutions?

## Alignment

How would leaders and internal clients rate the Communications function—as primarily a trusted advisor or hands-on supporter?

# Create your agenda for change

## Critical organization needs

- Develop an outside-in and inside-out perspective on how 3-5 year strategy will be executed
- Compare how the organization's current reputation aligns with its future aspirations
- Understand likely impact of strategy on sentiment and influence of key stakeholders over short and long term
- Identify the performance indicators that will best reflect changes in stakeholder mindsets and behaviors

## Assess comms' ability to lead

- Assess your function's performance and capabilities
- Discover opportunities in org design, governance, and ways of working
- Identify internal perception problems that may impede Comms success
- Define/redefine the purpose of the Comms function
- Focus talent development on strategic advisor capabilities



# The time is now



“I have never seen an opportunity for communicators to capitalize on the work and credibility that we and our peers have built over the years.

Someone must take advantage of it before the window closes.

So why not us?” -- CCO





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