

Attracting talented directors in PR

Introduction

Finding, recruiting and motivating talented senior staff – directors – is increasingly complex as the industry is experiencing rapid change.

This report studies a range of fiscal, social, ethical and environmental factors that impact the infrastructure of the talent force within the UK's PR industry at the most senior levels.

Its conclusions are based on PRJS Directors' experience in recruiting senior practitioners for the UK's leading agencies, as well as in-depth interviews with both employers and employees.

EXECUTIVE SUMMARY

- London is the powerhouse of the European – and arguably the world's – PR industry
- There is a serious shortage of entrepreneurial directors across every sector
- The attitudes and motivations of senior practitioners in PR are changing
- The distinction between 'corporate' and 'consumer' is blurring
- Sustained economic success is creating new issues, with agencies experiencing a steady rise in PR budgets and opportunities; especially in technology, healthcare and corporate
- Managing growth increases the need for first-class directors, exacerbating the competition for what little talent is available

'London is the powerhouse of the European – and arguably the world's – PR industry'

THE CORPORATE PHENOMENON

The demand for excellence in corporate communications and broader stakeholder activity has rocketed. The increasingly complicated arena of ‘reputation’ and all of its permutations (CSR, environment, public policy, sustainable development, ethics) has put a premium on the value of high calibre directors in corporate PR.

This activity flows from a natural merging of corporate and consumer activity, blurring the lines of communication and making it increasingly important for traditional consumer agencies to adapt to broader client demands. A large number of top 50 agencies have reported that their clients are requesting more guidance on the issues attached to corporate reputation, which is driving a very clear trend in the way corporate PR is handled.

HEALTHCARE

We have seen a rapidly expanding gap between the number of vacancies and the availability of talent within the healthcare and bioscience PR sectors. As well as the lack of talent, our clients are also reporting a worrying disparity between the high service levels required by clients and the ability for many healthcare practitioners to deliver. This issue of quality has compounded the existing shortage of talent within the sector. The emergence of bioscience and the speed with which it is developing, whilst exciting, poses another strain on the ability of healthcare consultancies to meet client demands. It is also notable that several high profile, well established and highly successful PR consultancies in this sector are struggling to grow international business because of the shortage of high-calibre ‘hunters’ who are equipped with global experience.

TECHNOLOGY

The technology sector has seen steady growth throughout 2006 and 2007 although the effect on recruitment at a senior level has been relatively benign. Unlike healthcare and corporate PR, the technology sector has coped better with growth. Most technology agencies have well established senior teams and there has been much less movement within this sector than in other parts of the PR industry. Almost all of our clients that operate within the top 50 have boasted growth during the last twelve months, yet there has been little movement at director level.

It is true however that senior posts in this sector remain difficult to fill, due to a lack of excess talent or individuals proactively seeking to make a change. One additional factor is the request to go in-house. It is particularly striking that a majority of senior practitioners in this sector wish to escape agency life. These factors and the obvious shortfall of high calibre individuals mean that salaries and packages have experienced a similar pressure to the corporate and healthcare sectors.

‘There is a shortage of high-calibre hunters in the healthcare sector’

CONSUMER

The consumer sector has experienced a number of fascinating changes throughout the last twelve months. The core, mainstream consumer sector has undoubtedly felt the squeeze from ‘corp-sumer’ agencies. This new breed of PR consultancy is able to handle consumer campaigns for FMCG clients but also address the much wider social and political issues that impact the corporate reputation. These companies deliver a form of intellectual dexterity in their consultancy services that impacts a much wider audience, incorporating everything from local government to charities and the consumer. The philosophy is that we are all ‘consumers’ irrespective of our agenda.

For the purpose of this study we feel it is important to separate mainstream consumer agencies from what many people would consider the ‘sexier’ side of consumer PR – those businesses that focus on events, experiential, youth, lifestyle and guerrilla marketing. Whilst the latter sub-sector has remained robust and mostly impervious to the threat from ‘corp-sumer’ practices, the mainstream has struggled. The number of vacancies in this sector has fallen drastically and these businesses are struggling to compete on cost alone. Consumer and trade PR agencies that compete in the lower and middle echelons – monthly fees of between £4k and £10k – have seen competition increase and fees squeezed. Many of our clients in the consumer sector report that procurement procedures within some of the biggest blue chip companies that own hundreds of the world’s major brands have severely pushed up the cost of pitching.

These factors mean that good margins of around 20% are even more difficult to attain, which in turn inhibits the ability to deliver pay rises. Individuals within the core consumer sector are now among the lowest paid across the entire PR industry. Whilst some individuals remain in the ‘sexier’ side of the industry because it is viewed as fast moving and glamorous, senior practitioners in mainstream top 50 consumer agencies are being forced to diversify in order to compete and they are often unable to do so. A handful of well-known independent consultancies in this sector have been purchased and absorbed by larger agencies or even gone bust during the last twelve months. Consolidation of consumer PR agencies within some of the larger holding companies is also taking place.

The talent market is now fascinating in this sector, with a glut of senior talent that is forced to freelance and trade independently because the job market has begun to shrink. Some of these individuals launch boutique agencies that operate on small-scale fees; others simply freelance on an ongoing basis. The contraction and consolidation in this sector has left several senior players without jobs to go to. Their plight is often compounded by the intense competition between agencies in the sector, which is driving down fees, tightening margins and making it more difficult for smaller and medium sized agencies to make senior hires. Indeed there is a tangible reluctance to take such a financial risk.

‘Procurement has pushed up the cost of pitching’

‘A glut of senior talent in consumer PR is forced to freelance as the job market shrinks’

EARNINGS

Summary:

- Healthcare pays the highest salaries in the PR industry (excluding financial PR, a sector we will focus on in a separate report)
- Technology remains highly paid, particularly in top ten agencies and for practice heads
- Consumer is the lowest paid sector by a substantial margin
- Corporate PR pays extremely well in large and smaller agencies
- Directors in corporate PR are able to achieve significant pay rises if they decide to move to competitor agencies

It is important to point out that top 10 agencies usually have an agency MD and individual practice heads for each sector with directors beneath them. Most top fifty agencies do not have practice heads, employing conventional directors instead.

We have broken salaries down in to their respective sectors.

Corporate:

	Top 10			Top 50		
	High	Average	Low	High	Average	Low
Practice head	£150k	£130k	£120k	-	-	-
Director	£120k	£100k	£80k	£115k	£90k	£75k

The tangible dearth of excellence within the talent pool in this sector has boosted salaries for directors in top 50 consultancies. It is striking that individuals are being paid substantially more to move jobs, whilst those remaining in the same role for several years are earning comparatively less than their newer counterparts.

Healthcare:

	Top 10			Top 50		
	High	Average	Low	High	Average	Low
Practice head	£180k	£140k	£120k	-	-	-
Director	£130k	£100k	£90k	£110k	£100k	£85k

Healthcare remains a highly lucrative sector for PR practitioners. Practice heads can almost make their own demands; such is the lack of talent. Our clients also appear not to pay less than £85k for a director in this sector, which is a higher 'low' than any other sector.

‘Consumer directors remain the lowest-paid in the industry’

Technology:

	Top 10			Top 50		
	High	Average	Low	High	Average	Low
Practice head	£180k	£130k	£95k	-	-	-
Director	£110k	£95k	£80k	£100k	£90k	£75k

Unlike the corporate sector, loyalty does pay off for directors and practice heads in technology. This may be because whilst there are fewer vacancies in technology, there is a premium on excellence within the sector and employers appear to pay extremely well to hold on to the best talent. This is especially the case in top ten consultancies, where senior defections can mean the loss of major global accounts. Many of our clients also report having learned the lessons of staff retention during the chronic shortage of talent throughout the 90s.

Consumer:

	Top 10			Top 50		
	High	Average	Low	High	Average	Low
Practice head	£160k*	£115k	£100k	-	-	-
Director	£103k	£80k	£70k	£92k	£80k	£65k

* This particularly high figure is unusual and pertinent to only a few top ten agencies

Whilst consumer practice heads are doing very well, they need to be managing £3m+ portfolios to command salaries at the top of this scale. Directors remain the lowest paid in the industry and those in top 50 agencies remain well below the £100k mark.

PROMOTIONAL PROSPECTS FOR DIRECTORS

Some of our director candidates are at a point in their careers when they are ready for a step up to a role as an agency MD. As a point of comparison, we have compiled a chart indicating our experience of placing practitioners at MD level.

Managing directors:

	Top 10			Top 50		
	High	Average	Low	High	Average	Low
Agency MD	£200k	£165k	£150k	£200k	£140k	£135k

CEOs and Chairpersons are not included in this study

‘Senior defections in the technology sector often lead to the loss of major global accounts’

BONUSES

Directors in PR consultancies have traditionally commented that bonuses in consultancies are low, often non-existent, particularly in wholly owned agency networks. This may be a factor in the explosion of start-ups and it is certainly a deal-breaker in securing director hires, particularly in growth roles. The dearth of talent at director level, particularly in entrepreneurial vacancies, has led to a re-think about how to incentivise individuals in some large agency networks. We have witnessed several key high profile hires in global networks and independent firms that have only been made on the back of tailored bonus schemes. Typically, these schemes connect revenue with margins, offering cast-iron lump sum payments payable at benchmark levels of revenue and profitability. If individuals can deliver substantial revenue at good margins then they are – in some agencies – able to command a sizeable percentage of profits.

HOLIDAY

Holiday remains standard at 25 days, increasing by one day for each year worked up to a maximum of 30 days.

BENEFITS

Benefits appear to have dropped down the list of priorities for director level hires. Without question the major priorities for director level candidates are salaries, bonuses and flexibility in the work place. Soft benefits are rarely discussed but the desire for autonomy and creative freedom – as well as a challenging opportunity – are the most important driving factors.

THE DEMISE OF THE PENSION SCHEME

There is an increasing ambivalence towards pension schemes and many of our candidates care little for whether or not a pension is on offer or if the employer contributes. The problems within the national pensions industry may be responsible for this, as is the growth of the housing market. A great number of our candidates view their future financial security as being tied up in property, which many openly view as a safer and more rewarding investment. Whilst all PR agencies continue to offer schemes, an increasing number offer little or no contributions, preferring staff to make their own financial arrangements.

‘Those that deliver excellent margins can negotiate sizeable bonuses’

OTHER PERKS

Some global networks still offer car allowances, which typically amount to between £5k and £12k – a benefit that is taken on a monthly basis as cash and is often viewed as something of an anomaly for directors working in central London. Healthcare for the family and life assurance are standard features as are mobile phones and laptops.

‘Car allowances can vary from between £5k and £12k’

The threats to growth

TALENT IS LEAVING

A report by the PRCA in February 2007 showed that 80 per cent of junior practitioners surveyed said they would quit the industry within ten years and 32 per cent within five years.

Our view is that the PR industry has reached a critical point in its development. The worrying shortage of director level candidates who are dedicated to building a far-reaching successful career in PR is the result of a wide number of social and financial problems within the industry.

OVERWORKED AND UNDERPAID

Working in a PR consultancy is increasingly hard work with comparably little financial reward at middle-ranking levels. Whilst many directors – particularly those in corporate, technology and healthcare – can command excellent six figure salaries, practitioners aged in their mid-twenties that are still taking home low incomes struggle to see the financial benefits of remaining in the industry. The more that management can do to demonstrate the earning potential of directors, the more inclined the industry’s junior talent might be to remain within the market.

LOW PROFITABILITY

The former Countrywide Porter Novelli CEO, Neil Backwith, has recently hit out at PR agencies’ inability to deliver serious profits in his new book, *Managing Professional Communication Agencies: How To Double Your Profitability*. He claims that agency directors put commercial success second to delivering excellent client service. In an industry where it is difficult to measure ROI, it is not necessarily a given that commercial success will result from excellent client service. Many of our clients continue to struggle with over-servicing and low margins – these factors all contribute to a dissatisfied, underpaid and overworked work force. Long hours and low pay at a junior level – two straightforward reasons why the industry is bereft of senior talent.

‘Long hours and low pay – two straightforward reasons why the industry is bereft of talent at a senior level’

THE PROBLEM OF STANDARDS

The current climate for excellence and breadth of expertise has created an ever-greater shortage of talent. Put simply, many directors are not talented enough or widely experienced enough to successfully land a job in this market. Working as a director is, in our view, more difficult than it used to be. Agencies are demanding higher margins and whilst they are often happy to reward high performance, they are also increasingly happy to remove individuals who do not make the grade.

Taking on board a director is a major financial investment and one that is not taken lightly. This has produced something of a dichotomy: whilst many PR consultancies desperately need to hire directors, they are often reluctant to do so because of the risk. High performing agencies with strong growth and good margins are able to make these investments with greater ease, but with average margins of between 10 and 15 per cent, many PR agencies make such hires with trepidation.

‘Many directors are not talented enough to land a job in this market’

Thoughts for the future

FLEXIBLE WORKING

Flexibility in the work place is increasingly offered as a basic benefit. The shortage of talent across almost the entire PR industry at director level has forced many PR agencies to offer flexible working hours, which typically features the opportunity to avoid the rush hour and/or work from home one day a week. Perhaps unsurprisingly, an industry with so many women has been at the forefront of driving the benefits of flexible working, which are now starting to be realised. Allowing parents to work from home and give flexible working hours has become an excellent way for many PR consultancies to gain the best out of their employees, but is also a crucial way of attracting and retaining directors who require flexibility. It has been our long-held view that employers benefit from giving their staff flexibility as their careers advance and it is encouraging for us to see this being implemented on a practical basis.

SELF-FULFILMENT

It should also be mentioned that spiritual and ethical factors are increasingly raised as issues that trouble today's directors. Recent reports by the Future Foundation and Norwich Union show that more than 50 per cent of Britons intend to leave their primary career to embark on a more compassionate or less selfish job in their late thirties and forties. This trend has been labelled "Zen-ployment" and points to the rising numbers of people choosing to focus on self-fulfilment rather than commercial gain.

This movement appears to be developing faster in London than the rest of the UK. While there are opportunities within the industry to focus on CSR, the environment, fair-trade and sustainability these areas of work can be at odds with the intention to 'give back' and still tie the individual to an office based role with a sharp emphasis on driving margins.

Whilst there is no easy solution to this, larger consultancies should consider how they could manipulate their business to accommodate talented practitioners that have a burning desire to work across more ethical accounts. Better to do this than for the industry to lose much needed talent.

'The benefits of flexible working are now starting to be realised'

GOOD NEWS

The backdrop to the many challenges the PR industry faces is one of a maturing PR industry that has the potential to transform its reputation as a marketing activity. Many of our clients and candidates are reporting that PR as an activity has evolved so that the boundaries between brand communications are increasingly blurred – often so much so that traditional consumer practitioners are increasingly being asked to develop broader strategies that encompass all stakeholders. The challenge is for directors to step up to the mark and embrace change.

GLOBAL COMPETITIVENESS

Throughout the last twelve months we have witnessed the development of the PR industry in the Middle East, India and Asia Pacific. Our clients' stories in the Middle East support the argument that the UK PR industry is possibly the most sophisticated and hard working in the world. London bridges the USA with the Middle East and Asia and as such has a unique insight into the media and social landscapes in a wide range of cultures and languages. PR consultancies in the UK should, in our opinion, be proud of their strength as the leading global PR market. It is pushing the boundaries at home and abroad and those consultancies that understand this are reaping the rewards of high investment in PR in the world's emerging markets.

Agencies that are able to offer employees the prospect of working abroad, relocating or directing cross-border campaigns that require travel are often at an advantage compared to non-international rivals.

SAFEGUARDING YOUR SENIOR INVESTMENT

In an industry where the primary product is its people, it is crucial to hire the very best person for the job. There is no room for manoeuvre because so much is at stake – client relationships, monthly fee income and the agency's own reputation. Taking diverse and detailed references is absolutely critical in hiring directors and the terms of the contract should be clearly defined in order to protect both parties. A thorough interview process, a meaningful presentation and far-reaching investigation in to the efficacy of an individual and their ability to deliver are crucial steps.

Our experience at home and abroad in developing regions such as the Middle East and Asia Pacific shows that hiring excellent senior talent is the only way to grow a PR consultancy. Those that have taken the leap to hire directors in new growth areas typically reap the rewards. The key is to draw parameters that ensure success for both parties and reward high performance. The challenge for the global players is to create flexibility – both structurally and financially – to ensure that the very best talent is attracted and retained.

‘Hiring excellent senior talent is the only way to grow a PR consultancy’

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