

The Future of Leadership in Investor Relations

Companies want greater strategic input, financial acumen, technical skills, and broader experience from IR heads. They, in turn, exert greater influence and achieve higher engagement at top levels.



Introduction

It's a good time to be in investor relations (IR). At the end of 2015, Korn Ferry conducted research¹ among the FTSE head of IR community. The firm sought to understand how the function is evolving and to produce a succinct summary that would be helpful to those with a vested interest in high-quality IR.

Korn Ferry's research reveals a significant shift in IR leadership. Many companies are demanding greater strategic input, financial acumen, and technical skills, and broader experience; in return, IR heads can exert greater influence and elicit higher engagement in the business at Executive Committee (ExCo) level.

The variety of career paths to reach the position of head of IR is growing. In the past, many such leaders had a background in only IR or communications. Although this is still a respected route to the top, the firm found an increasing number of IR leaders who rose from financial services areas, including equity research and corporate finance.

Findings summary.

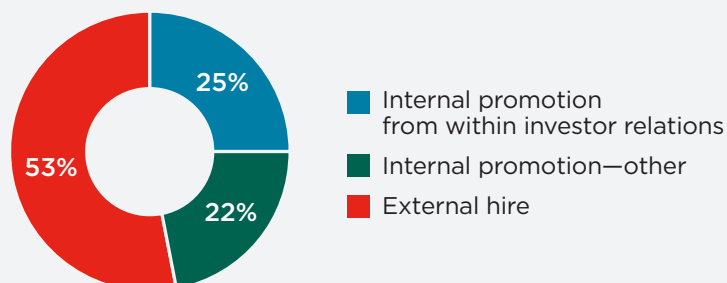
High turnover among heads of IR.

More than half (56%) of survey respondents had been in their role for two years or less, suggesting a high level of turnover; 53% had been hired from other companies. This is consistent with our observation that 2014 and 2015 were years of exceptional fluidity in the market, driven largely by the increasing demands of the investor community. Of those who were hired from inside the company, nearly as many (22%) were appointed from outside the IR function as from within (25%).

Figure 1

Role before becoming head of IR.

Before the appointment to your current role, you were an:



¹ Korn Ferry surveyed the FTSE 150 heads of investor relations in October-November, 2015. All responses were provided anonymously.

Broadening career paths.

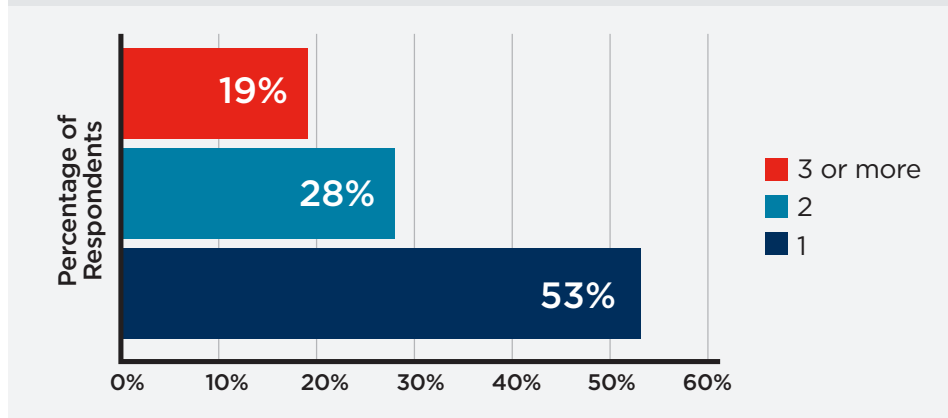
The 2008 financial crisis increased the accessible pool of talent. A number of financial services professionals who historically had been out of reach because of compensation discrepancies now consider IR an attractive career path. Nearly one third (31%) of survey respondents had prior experience in investment banking; a quarter (25%) are qualified chartered accountants. Pre-crisis, the majority of IR leaders rose through the area's ranks or via communications or finance roles.

In our recent survey, 47% of respondents had worked in more than one industry, with 19% having operated in three or more sectors. In many cases, the firm found that technical IR skills can be transferred across industries and that the broad perspective gained in multiple sectors is often beneficial. Although single-industry careers are increasingly rare, this deep expertise and knowledge is highly valued.

Figure 2

Industry experience.

In how many distinct industries have you performed an IR role at the manager level or above?



For their next move, 44% of respondents wish to remain in IR but with a more “compelling/differentiated scenario.” A sizable number (16%) aspire to become Chief Financial Officer, with a smaller percentage seeking to be head of Communications/Affairs, Strategy, or to take a role in an IPO.

IR role gaining in stature.

- **Internal reputation:** All respondents, in encouraging fashion, judge that their business places a “high” or “moderate” value on the IR function. Two-thirds are confident that their function is viewed as a “vital member of the executive team,” while 34% see room for improvement, reporting “varying levels of buy-in at corporate centre and business unit level.”
- **Executive committee (ExCo) exposure:** Nearly two thirds (63%) are not formally part of the ExCo but attend the meetings when appropriate. A third do not. As one expert analysis² describes it: “The Investor Relations Officer (IRO) has become the face of the company in the market, not simply a buffer between investors and the CEO or CFO.” Given the increasing prominence of the role, Korn Ferry expects to see the numbers who do not attend ExCo meetings, to rapidly decline and become the exception.
- **Reporting line:** Three-quarters (75%) report to the CFO, however a small number (9%) report to the CEO and the same number to head of Corporate Communications/Affairs.

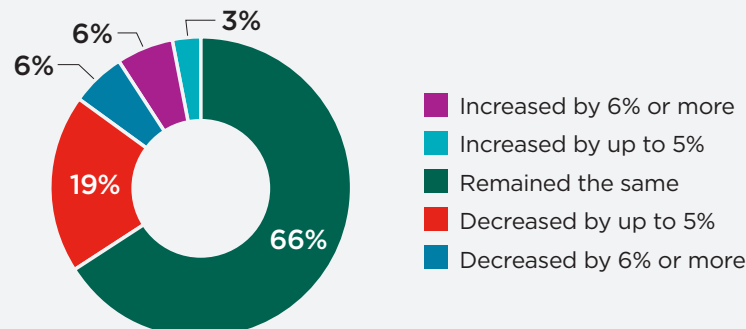
Doing more with the same or less.

- **IR budgets:** Despite demanding more strategic, broadly skilled heads of IR, two-thirds of companies are maintaining budget levels. A quarter have reduced budgets and only 9% saw increases. IR teams remain small. This is, however, consistent with the broader global business trend of organisations “doing more with less.”

Figure 3

Investor relations budget.

For Financial Year '15, has your IR budget (by percentage of respondents):



² Bloomberg Professional. 2015. “The Changing Face of Investor Relations,” from the Bloomberg Investor Relations blog.

- **IR teams:** Teams generally are lean, with two-thirds of their leaders having one or no individuals reporting to them; 16%, two or three reporting; 6%, three or four; and 13%, five or more
- **Head of IR compensation:** A slight majority (53%) feel that their compensation does not truly reflect their post's additional added value and responsibilities, with the remainder having the opposite view.

What IROs want.

As bellwethers of change for the IR role, those in the uppermost ranks of the FTSE community reveal the continued evolution of the IRO position. Their criteria for “must haves” reflect a broader scope and greater visibility for what is increasingly a higher profile and strategic role:

- **Clear line of sight of the board.** IROs feel it is critical to have direct exposure to the CEO/CFO to allow them to be able to clearly communicate the strategy.
- **Latitude.** IROs want responsibility for the design and execution of the plan for both financial communication and shareholder management, in line with group strategy.
- **Progression.** IROs are attracted to challenging roles that involve such factors as international scope, group complexity, a shift in shareholder base, growth strategy, and added responsibilities for corporate communication or corporate affairs.
- **Investment in the IR function.** IROs indicate that corporate support at the highest level (CEO/CFO) will allow them to add greater value.
- **Good relationship with communications teams.** Clear delineation and a strong relationship between IR and communications are critical. Mixed messages or “turf wars” can be both frustrating and damaging.
- **Excellent inroads into the rest of the business.** IROs are interested in building deep relationships with business unit leaders. These are best used to develop an IRO's knowledge of the group and to offer a market view to senior leaders.

Implications

Our research findings point to issues for consideration for those focused on high quality IR:

- There is an increasing demand for heads of IR with broad experience—from different industries and job functions.
- Talented heads of IR are widely sought; retention is key.
- The head of IR role can be a useful development posting for potential CFOs.
- Consideration is needed about whether compensation, budget, and team are appropriate to deliver the required IR support.

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