# How IR has grown in sophistication and importance

**The IR profession and the responsibilities of the IRO grow every year. John Dawson reflects on his 25 years in the industry to offer insights.**

Head of investor relations at Coca-Cola Hellenic (Interim) and partner at Statera Partners LLP.
john.dawson@staterallp.com

When I first took on responsibility for investor relations at a company – a one-man function at TI Group PLC in 1997 – the professional standing of the role or function was very patchy. A few leading lights had done a great job at one company or another, but it was very rare to see people move from place to place. The role was largely seen as an ‘on-the-job learning role’ or ‘bag-carrier’ for the CFO and CEO. At the same time, external advisors – brokers and consultants – focused on building relationships at board level. Their service downwards was typically more dismissive or controlling.

IR as a profession has developed alongside – and to an extent been driven by – major changes in how we communicate: from analogue/slow to digital/fast – eg, moving from 35mm slides to LCD projectors; from telephone and fax to email and video conferencing; from narrow one-on-one briefings with analysts and investors to best-practice fair disclosure via websites and open broadcasts. Rules are tighter. More technical knowledge is required. Analysts and investors expect even-handedness. The days of managing the City through a choice number of select relationships are long gone – and rightly so.

Broader, more effective outreach is now required. Consistency of messaging, good Q&A preparation, high quality financial statements with effective guidance and outlooks, good management of expectations, effective IR targeting and consistent engagement are now minimums.

Further risks have driven a focus for the enlightened on the value of experience – particularly dealing with hostile investors, activists, threats to strategy and criticisms of governance. At the same time, many companies now value experienced IROs as serious internal advisors, helping CEOs and CFOs manage ambiguities and avoid hostages to fortune. Attention to detail, multiple channels, more frequent engagement and regular capital markets events have put a significant focus on consistency and professionalism.

All of which should speak to a role and function that has raised its profile, its importance and the value placed on the senior members of the profession. And in many cases this is true, but it's still not uniform. After 25 years in the industry, it's still frustrating that IR is frequently seen by many companies as an area where they can make do with well-meaning amateurs.

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Why? Well, by and large you don't recognise the risks until a real problem arises, and for many companies, that ride waves of success or status as a market-darling, those exposures are few and far between. Add to that the perceived safety net of UK corporate brokers and other financial advisers, and the pressure for professional support is reduced further. Strangely, this is not the same on the continent, where the profession, while smaller, feels more developed. At a recent Belgian IR event, I was very impressed with the demonstrable skills and experience of career IROs and the obvious trust and responsibility placed upon them. The mandate is also broader, with more resources internally and less reliance on external support.

### Board exposure

In the boardroom, the profile for IR is more mixed. By and large, in steady-state environments, the CFO takes greater ownership of the IR agenda, alongside treasury, accounting controls and IT. Specialist areas, where technicalities are greater, have a greater board profile – legal, taxation, risk management etc. As a result, the subtleties of IR, its strategies, risks and benefits and the people managing the function, often have less exposure.

The exceptions tend to arise where investors have pressured executive and board behaviour. Sometimes this has led to IR being drawn in to advise on board communications, although this is still patchy. Over-confidence of those in charge, underpinned by a lack of feedback or tangible issues, can reduce opportunities to develop a more resilient reputation through proactive outreach. Where it's happened well, that is typically because of strong experienced IR, an enlightened approach from the board or hard-earned experience of negative investor feedback when things go wrong.

### Raised ambitions

12 years ago, when I was chair of the IR Society, we started a programme called DELIVER – developing future leaders through investor relations – to help raise the profile of the IR function and its rising stars. The idea was to expose talent in the profession, to encouraging networking in the industry, to round out their practical experience and develop skills. As a consequence, the participants would better show their professional capabilities and pull IR development along with them as they moved into new and bigger roles, whether in IR, or as CFOs or CEOs. Alongside the CIR and the Diploma in IR, the different programmes would help raise the ambitions and profile of the profession.

The ultimate challenge for investor relations is that it is ultimately quite a small industry. 200+ companies in the UK with the resources/scale to invest, small to very small teams and a cohort of participants that range from the high-flying future CFOs and CEOs to the career IR professionals. While the core is supported by a very able and hardworking range of service providers and city advisors, building a certificated or chartered status around an industry in a constant state of flux, with a small high-quality core, is not an easy task. Chartered? Certified? I'm not sure its realistic. It's the same challenge as before. We need a higher profile – prepared to be more vocal – and with more investor and management recognition of the real value of doing IR professionally. That will underpin our industry's future success. ■

## Not just a stepping stone

Geoff Callow is head of investor relations at Ecora Resources.

I joined the world of IR from financial PR and what immediately became apparent was how much more in- depth knowledge I needed to be able to speak with confidence about the business to investors and analysts.

There was also much more of a need to understand the regulatory environment and make sure I was operating within the rules. In my opinion it is undoubtedly a far more professional, demanding and rewarding role than financial PR.

This requirement for knowledge provides IR with a mandate to get involved in all parts of the business and it amazes me when I meet an IR who sits on their computer all day and says “I probably should get better at talking to investors, analysts and senior colleagues.” When I moved into IR in the mid-noughties a lot of my peers were doing combined business development and IR roles. That has certainly changed over the years and most companies of similar size have dedicated IR now and it is seen as a career as opposed to a stepping stone. Increasingly, most IR professionals will expect to be talking to board members on a regular basis. An IR function run by a professional will not just be about drafting releases, managing consensus and running roadshows, it is about feeding investors views back to the board and management and helping to shape decision-making at the highest level of the organisation. ■