

Compensation Rises Alongside Stature of IRO Function

The 2019 NIRI-Korn Ferry survey indicates a 20 percent increase in IRO base salary since 2016.

BY ALEXANDRA WALSH





A new NIRI Investor Relations Compensation Study conducted by Korn Ferry in late 2019 provides current pay benchmarking trend data for corporate IR professionals, as well as scope of responsibilities, organizational and reporting structures, and professional profiles/ backgrounds of IR professionals.

The survey provides fresh data to compare with results of a similar survey conducted in 2016.

One of the top takeaways from the 2019 survey indicates the investor relations function is increasing in stature. Compensation is also on the rise, especially for senior investor relations officers (IROs).

The survey segregates results by three levels of IR professionals:

- Senior-Level IRO (Head of IR, Senior Vice President, Vice President, Chief Financial Officer)
- Deputy IRO (Senior Director, Director, Senior Manager)
- Staff (Manager, Analyst, Associate)

“It makes sense to segment survey responses into three categories rather than split the data by the more numerous and often inconsistent titles used in the industry,” explains Richard Marshall, Global Managing Director, Corporate Affairs, Korn Ferry.

Growing in Value

The data, compiled from 381 NIRI corporate practitioner members surveyed in late 2019, reveals the average base salary rose nearly 20 percent to \$250,532 since 2016, when the average salary was \$202,000.

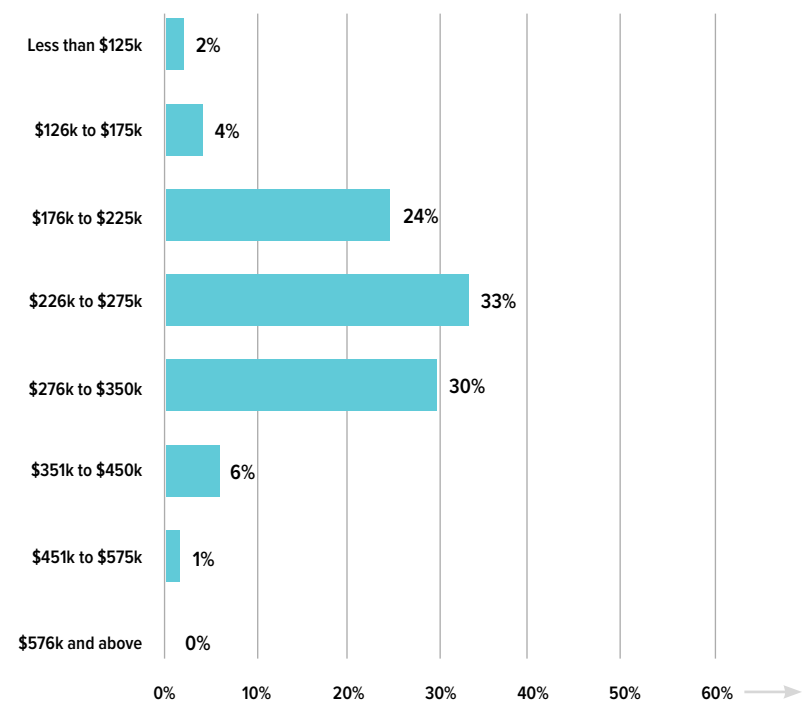
The average base salary was \$293,696 for senior IROs, \$201,531 for deputy IROs, and \$140,218 for IR staff.

Responsibilities Growing

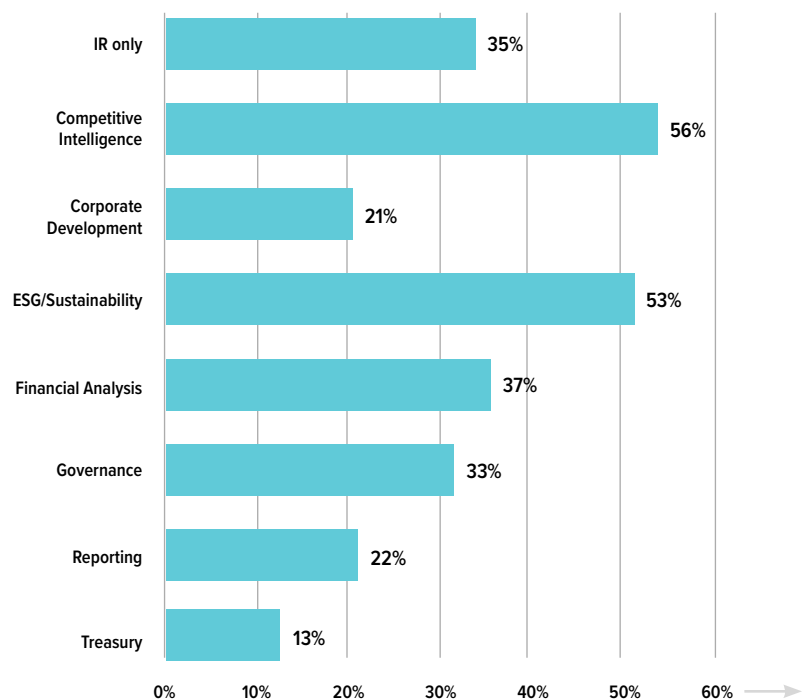
Only 35 percent of senior-level IROs indicated that investor relations is their only responsibility.

Survey data indicates ESG/sustainability is increasingly part of the IR team’s responsibilities. Competitive intelligence is still the predominant add-on function for 56 percent of senior IROs,

Base Salary of Senior-Level IROs



Senior-Level IRO Responsibilities



but ESG is now a close second as reported by 53 percent.

For deputy IROs, 59 percent report their everyday tasks now include ESG, followed by 43 percent who report competitive intelligence is a daily task.

“Compensation for IROs at all levels has increased due to a number of factors, but greater responsibilities related to ESG/sustainability, MiFID II, and shareholder activism have increased value and appreciation of the IR function on the part of the CFO and broader executive team,” says Marshall.

Added Bonus

A vast majority (97 percent) of respondents report having an annual bonus target percentage, with the median percentage in the range of 26-35 percent of their annual salary.

Additionally, 86 percent of respondents receive equity as part of their compensation packages, with the median annual equity range (as a percentage of base salary) 26-50 percent.

Respondents report restricted stock units (45 percent) as the top component of equity followed by stock options (19 percent), performance/phantom stock (16 percent) and employee stock purchase plans (14 percent).

In 2019, 88 percent of senior IROs and 75 percent of mid-level IR professionals received restricted stock as a form of compensation, but equity compensation for staff-level IR professionals was still very modest, Marshall points out. Just 33 percent received restricted stock.

This aligns with a growing trend toward giving restricted stock with a three or four-year vesting period in bonus packages to motivate senior and mid-level IR professionals and to help companies retain their senior IR professionals.

Split by Region and Sector

The survey breaks down compensation by industry sector and geographic region.

“This data creates benchmarks for NIRI members interested in making a career move to, or within, a certain industry and provides helpful data for performance reviews,” Marshall explains.



What the C-suite Needs to Know About IR

- They work for shareholders so decisions should be made with that in mind. Don't make short-term decisions at the risk of a negative long-term impact.
- IR will help the management team distill investor sentiment into understandable messaging that the C-suite can then utilize to better direct a company's strategy.
- Goal is to educate (vs. promote or defend). Their credibility with stakeholders is paramount. They are educators, not salespeople.
- Their investor base is more diverse than they think – including many conflicting opinions on what the company should do to maximize value.
- IR is at the crossroads of an organization, understanding strategy, markets, financial models, expectations, valuation drivers and the regulatory environment. The earlier IR is brought into an initiative, the better the outcome.
- We represent the C-suite to investors, and represent investors to management, but increasingly that relationship is with a smaller and smaller body of actual people as passive trading increases.
- Effective IR doesn't necessarily increase the stock price – results against expectations move the stock price. Effective IR increases the understanding of the company's strategy so investors can appropriately value the company.
- Good IR requires a substantial commitment/investment in time and resources by the C-suite, as well as clear and consistent messaging to the Street.

Sector Findings

- Highest paying sector: Consumer (average base salary \$284,375)
- Lowest paying sector: Life Sciences (average base salary \$226,974)
- Pay gap between highest and low paying sectors is 20 percent

Region Findings

- Highest paying region: Northeast (average base salary \$267,824)
- Lowest paying region: South (average base salary \$242,130)
- Pay gap between highest and lowest paying regions is 9.5 percent

Marshall notes the regional disparity in compensation is not surprising.

It follows a long trendline of the Northeast as the highest-paying region, followed by the Midwest and the West (with \$248,026 and \$244,408 respectively). IROs based in Southern states continue to have the lowest salaries.

“It is interesting that the variables are greater among industry sectors than among geography sectors,” Marshall observed. “We anticipated that it might be the other way around.”

Gender Pay Gap Tightens

The gender gap in investor relations has decreased by 80 percent over the past two decades and that trend continued in 2019. Senior-level IRO base salary averaged \$283,571 for females, which was \$14,689 (4.925%) less than the average base salary of \$298,260 for males.

“It’s encouraging to see the gender pay gap drop to less than 5 percent for top-level IROs,” Marshall notes. “Generally, that’s positive news that the gap appears to be narrowing.”

The gender pay gap for IROs will be explored further in a follow-up article in the Summer 2020 issue of *IR Update*.

Career Optimism

Additional findings in the survey beyond compensation are related to key trends in the profession, including optimism about the future of the IR

function and IR career trajectories.

When asked if the investor relations function is being viewed more strategically and elevated in their company, 59 percent of IROs agreed. This aligns with the continued increase in the average salaries of senior-level IR professionals in each study year since 2010.

Additionally, the majority (86 percent) of senior-level IROs said in late 2019 they were “very or somewhat optimistic” about the profession. That also holds true for mid-level IR professionals and staff.

Longevity in the industry is widespread. More than 50 percent of senior-level IROs and 27 percent of mid-level deputies have been in the industry for more than 11 years, while 26 percent of staff have been in investor relations for more than seven years.

Lack of Succession Planning

One surprise finding, according to Marshall, is a lack of succession planning. Despite the elevation of the IR role paired with greater optimism, 75 percent of IROs report having no clear succession candidate for their role. Nearly 90 percent of staff report not having an individual who could take over their responsibilities.

One reason for this may be that 76 percent of respondents do not have a clear next career move for themselves. When asked about their desired next role, 42 percent say they would stay in IR in the same sector. And 17 percent aspire to a CFO position as their next role.

“IROs increasingly view their roles not just as a career destination, but as a pathway up the corporate ladder to other positions with greater responsibility,” Marshall says. “IR functions are lean to begin with, and with broader business and leadership skills required to elevate to the C-suite, incumbent IROs and their teams will need to step up to meet the challenges.”

Marshall believes there are both challenges and opportunities for IROs when it comes to succession and career planning, and now is the time to determine strategies to address any disconnect.

Professional Credentials

The latest survey takes a deeper look than in the past at education and credentials and differentiates this data by the three IR practitioner levels. This provides additional information that can be helpful to IROs in career planning, suggests Marshall.

Respondents report that 78 percent hold an MBA degree while 25 percent hold an MS or MA degree.

More than a quarter (26 percent) hold CFA credentials, 34 percent hold CPA credentials, and 28 percent hold the Investor Relations Charter (IRC®) certification.

Broken down by IR practice levels, the credential senior-level IROs are most likely to have is a CPA (42 percent), for mid-level deputies it is a CFA (38 percent), and the majority (70 percent) of IR staff have a CPA.

The IRC® credential, which was first awarded in 2016, is now held by 33 percent of senior IROs, 35 percent of deputy/mid-level IROs, and 10 percent of those in analyst/manager positions.

Member Pulse

The survey also captures the pulse of the NIRI membership on key issues by asking questions and including verbatim commentary in the survey results. “It’s always helpful and instructive to hear the voice of your contemporaries and know what they see and hear,” Marshall points out.

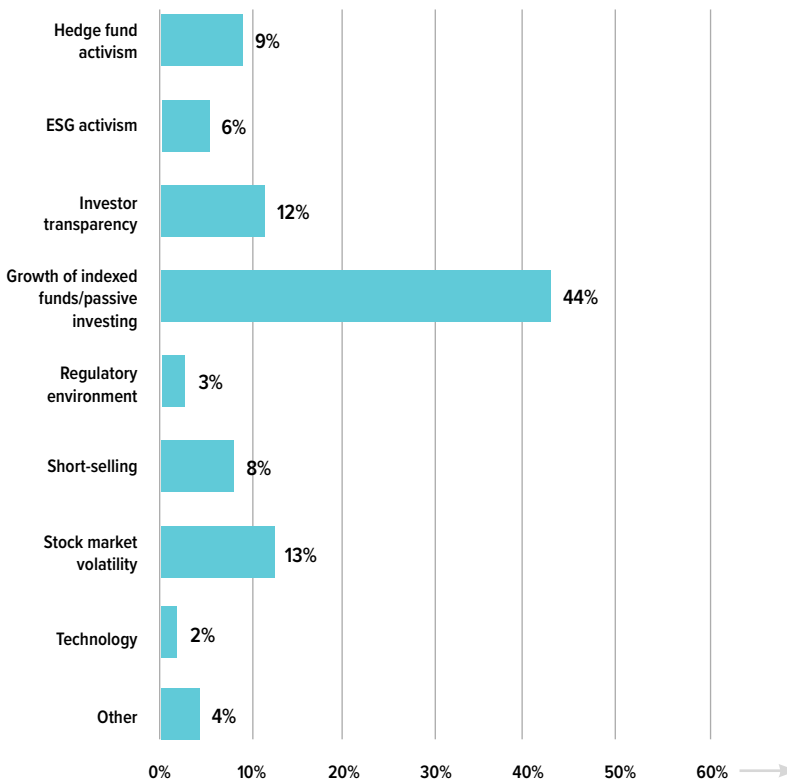
The survey asked six pulse questions and the responses were segmented by IRO, deputy and staff. The responses from IROs generated by two specific questions were especially interesting, Marshall says.

The first pulse question was, “What’s the most important thing the C-suite needs to know about IR?” While the full study contains pages of responses, Marshall believes the eight comments in the sidebar on page 13 are particularly insightful.

Another question that generated interesting responses was, “What’s the single important skill required today to be a successful IRO?”

“I thought it was very interesting to see psychology and grit listed among the many skills,” Marshall says. “But, it’s also a consistent reflection

Biggest Challenges Facing IR According to Senior-level IROs



OTHER ANSWERS: AI (artificial intelligence) and lack of fundamental analysis | Economic backdrop; low growth; low interest rates | Growth of ESG investing | Short term focus | Current market rules driving trading behaviors that do not offer visibility of ownership | AI applied to all forms of company communications | Delivering to expectations | Need for direct engagement with buy-side investors | Changing sell side, deteriorating quality | ESG but not ESG “activism” | MiFID II impact on sell side and investors

of the wide range of talent and ability required for this role, what we’re seeing and hearing as the IR function continues to elevate, what is being sought of IROs and the wide range of demands placed on this function.”

When senior-level IROs were asked what they see as the biggest challenge facing IR (answered in late 2019 before the COVID-19 crisis), the most-often mentioned answer was “growth of indexed funds/passive investing.” [IR](#)

Alexandra Walsh is senior publishing consultant for Association Vision, the company that produces *IR Update* magazine for NIRI.