

THE UPWARD TRAJECTORY OF IRO SALARIES

IRO SALARIES CONTINUE TO RISE. LEARN WHAT COMPANIES FIND VALUABLE IN THEIR IROS AND WHAT LEADS TO HIGHER COMPENSATION.

By Tammy K. Dang

“**T**he value of the IR profession is being more widely recognized as CFOs and the C-suite see the greater strategic value of these roles,” says Richard Marshall, managing director of the Global Corporate Affairs Practice at Korn Ferry. According to the *2016 NIRI-Korn Ferry Corporate IR Profession and Compensation Study*, corporate IR practitioner salaries increased for the sixth straight year. After adjusting for inflation, salaries ticked upward by about 7 percent from 2014 to 2016.

The survey shows that the average salary was \$201,894 in 2016, which is up from \$187,691 in 2014. In addition, 85 percent of all respondents received a cash bonus, which averaged \$77,335, while 63 percent received a stock bonus that averaged \$110,615. Eighty-six percent of corporate IR professionals reported receiving equity-based compensation. Restricted stock units were the most popular form of equity pay at 61 percent, followed by stock options at 41 percent, and performance stock units at 23 percent.

Smooch Repovich Reynolds, managing director of DHR International’s Global IRO and CCO practice group, agrees that IR has become more prominent in the eyes of

management and corporate boards.

“In the more senior ranks of IROs, talent is a hybrid of finance and IR that offers companies a different value-add because you’re talking about hiring an executive with multiple functional expertise,” she observes. “As companies face head-on increased demands on the part of the investment community, activists, and the oftentimes unpredictable effects of social media, the triumvirate of the CEO-CFO-IRO unit is expanding rapidly to include corporate boards in the relationship – this broader leadership thinking then requires IROs to be more facile across multiple topics rather than fewer – the ‘corporate athlete’ approach.”

Fred Clayton, chief executive officer of Berkheimer Clayton, retained executive search consultants, believes that in recent years, heightened regulatory requirements and shareholder activism have elevated the importance of IR to executive management and their boards.

“Today, more than ever, public companies need a first-rate IRO and team in place to fulfill this high-profit role, so the additional value may account for the increased pay,” he notes. Since IROs typically report to the CFO, Clayton sees a correlation in CFO and IR pay. Clayton cites Equilar’s *2016 CFO*

Pay Trends, which found that the median total compensation for the CFOs of S&P 500 companies increased by 17 percent from 2011 to 2015, which is just a little lower than the compensation growth for IROs tracked by NIRI-Korn Ferry. (See chart on page 12.)

Marshall agrees that companies are operating in a more activist, litigious, and disruptive environment. “Companies must redefine themselves, their value proposition to their investor base,” he declares. “There is a greater need for internal coordination because business models are shifting and things are much more dynamic, so IROs need to be incredibly facile, and especially skilled at translating the outside world in as well as the inside world out.”

IR Challenges

Survey respondents reported that the increased focus on share repurchases over investment and the rise of activism have made their jobs more challenging. Additionally, activists are communicating more through social media.

Lack of investor transparency frustrates IROs because they cannot figure out in a timely manner who is buying, selling, and shorting their stock, especially the long wait for Form 13-F filings, which institutional



investors don't have to file until 45 days after the end of each quarter. Dealing with hedge funds that are shorting a company's stock is another headache for IROs, especially since specific short-sales are not disclosed through SEC filings.

The NIRI survey showed that keeping pace with institutional investor expectations, the perpetual challenge of how best to represent the company to the financial markets, and finding the ideal way to convey market feedback to the CEO and CFO all add to the complexity of the position.

Time management, especially in a one-person IR department serving constituents that include the executives, board of directors, investors, analysts, governance and sustainability audiences, media, and employees is always top of mind, according to the NIRI survey.

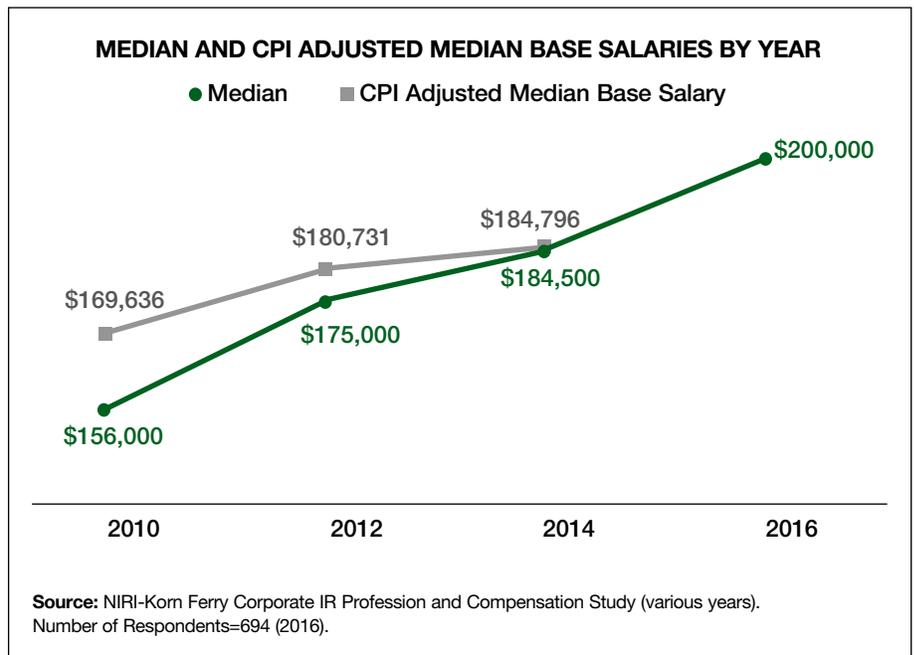
However, "do more with less, and do it better," is the advice Clayton gives because as a "staff" function, IR has been, and always will be, resource constrained. Be clear on what management's objectives are for IR to prioritize time and resources.

Marshall agrees that the smart and savvy IROs take their positions beyond being a skilled tradesperson by taking on additional special projects important to the c-suite to deal with managing the corporate reputation, strategy, and activist shareholders. Some IROs have responsibilities for treasury, corporate strategy, or media relations, and many IROs have an opportunity to expand their roles.

Building Business Acumen

Reynolds suggests IROs focus on developing a portfolio of skills to become increasingly valuable over the course of one's career rather than using money as the driver of skill development.

"They should identify opportunities within their current company to work on a corporate development project, mergers and acquisition activities, strategic planning proj-



ects, or a project with the marketing team," she recommends. "Part of becoming a corporate athlete is gaining the knowledge and business acumen across an enterprise."

Reynolds says that there are all kinds of ways to gain business acumen. "For more seasoned IROs, if the global economy is a challenge, be more conversant about the global economy by taking an economics class in the evenings at a university," she says. "One of the other things IROs can do is work with their CFO to map out a pathway to becoming a part of the quarterly board meetings."

According to Reynolds, the profession continues to grow and evolve, acquiring added dimensions of responsibilities and subject matter. "The concept of understanding the global economy is more of a concrete expectation on the part of management teams of IR talent," she notes. Whether you are a mid-level or senior level IRO, management and the board of directors expect you to have more than a fundamental understanding of the global economy, and you might be tapped for that knowledge now or in two years at your next job.

Some of the key compensation drivers continue to be a company's market capitalization, industry, and region of the country. The utilities sector reported the lowest media base salary and total compensation while the healthcare and consumer staples reported the highest. For the past two years, the largest salary increase came from the East North and East South Central regions, with the smallest salary increase from the Middle Atlantic and Mountain regions. Factors that also lead to higher pay include years of IR work experience, type of graduate degree, certifications, and job title.

"The more you know and contribute, the more you are worth," Clayton says. "The annual bonus and long-term incentive awards are the key levers to increasing personal wealth, so if you are not already a vice president, learn what it will take to become one and develop a plan with your boss to get there." Annual merit and cost-of-living raises to one's base salary does not translate into long-term riches.

"Money will follow if you add greater skill and incremental value," Marshall reports. He says that there is no perfect model

that exists for the IR profession. “It’s at a pivotal point in terms of forces out there challenging the old dogma and the tremendously talented ones are figuring out ways to create new models and help their companies prosper through it.”

Gender Pay Disparity

One ongoing trend found in the NIRI-Korn Ferry report was the disparity between the compensation for male and female IROs. According to Reynolds, there is no simple explanation for the disparity in compensation among the genders.

“There are too many individual and disparate factors in analyzing the gender gap,” she observes. Male IR professionals have been out-earning female IR professionals since 1995, when NIRI first began collecting compensation data. The average for men in the survey was \$213,368 as compared with \$186,509 for women. There was a 14 percent difference in the average base salary between men and women.

“A 14 percent difference in annual base

salary is one thing, but the larger issue is the disparity in annual bonus and stock awards which, according to the survey, is a difference between men and women of 30 percent and 25 percent, respectively,” Clayton notes.

The survey found that considerably more men than women came into IR from careers in the corporate finance and securities industries, which typically pay higher. According to Clayton, to attract these people, companies had to pay more – if not in salary, then in total compensation with regards to the annual bonus and equity components. In the survey, 42 percent of men hold a vice president title, whereas 33 percent of women reported senior director or director titles.

“In large companies, it is not unusual to find that a vice president and a director have the same salary range (minimum, midpoint, and maximum),” Clayton says, meaning the range for the IRO position is fixed, regardless of whether the position is occupied by a vice president or a director. However, vice presidents typically are eli-

gible for a higher target annual bonus than directors, and qualify for more restricted stock units.

“More women need to be appointed vice president in their current positions,” Clayton believes. “I think this would go a long way toward changing the dynamic and leveling the playing field in terms of total compensation as compared to men.”

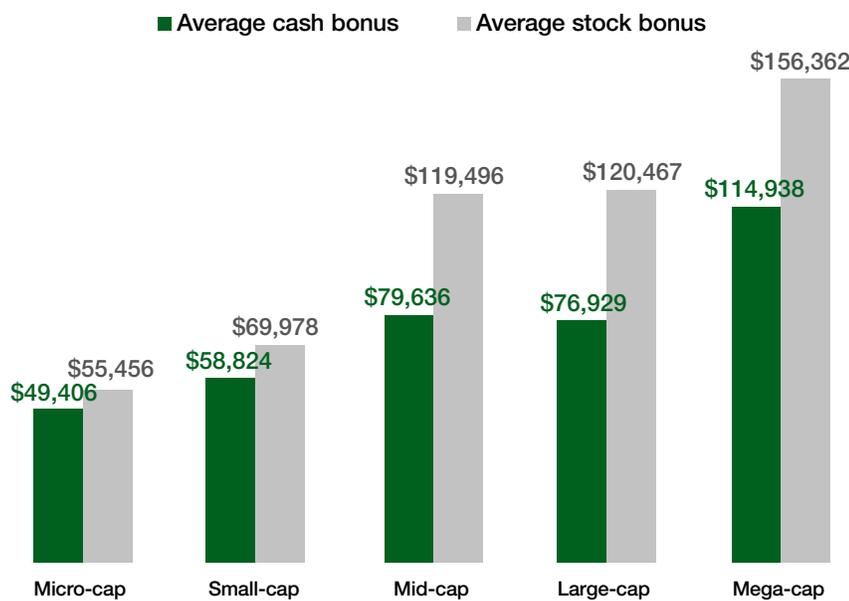
According to Clayton, compensation experts assert that, regardless of how exceptional the incumbent, each position in a company is worth only so much. That is why each has a designated salary range, including a maximum. IROs of mega-cap companies have excellent earning power, but over time IROs at smaller companies will find themselves running out of salary room. To achieve higher earning potential, they must aspire to, and qualify to be considered for, higher-paid positions in executive management, which applies to both men and women. Clayton points out that 70 percent of women surveyed viewed IR as their career destination, whereas 41 percent of men were undecided and thought IR might be a transitional role for them.

In Marshall’s practice of IR and corporate communications recruitment, where about half of executives his company places are female chief communications officers, his theory on the gender pay disparity is the legacy of IR being more finance-based. However, he believes that it is trending in the direction of greater equality across genders.

Finally, Reynolds shares words of wisdom from her father in dealing with challenges: “Every time you look over your shoulder at the other guy, you are losing time, energy, and speed getting where you want to go and what you want to achieve,” she says. “Focus on what you need to focus on, and your aspirations will become realities.” 

Tammy K. Dang is a freelance writer in Washington, DC.

AVERAGE CASH BONUS AND STOCK BONUS RECEIVED BY MARKET CAP



Source: NIRI-Korn Ferry Corporate IR Profession and Compensation Study (2016).
Number of Respondents=705.