



# IR TEAMS WITH A REVOLVING DOOR

## SHOULD IRO POSITIONS ROTATE? The easy answer: it depends on the culture of your company and what you hope to accomplish with a revolving door.

By Margo Vanover Porter

**W**orking on the buy side for almost 12 years, Neal Goldner is the first to admit that he didn't like it when the senior IRO rotated positions.

"I found it extremely frustrating as an investor," he says. "You were constantly developing a new relationship. The person at the senior level in IR should have continuity because it's really important for the investment community to have a consistent relationship with the company, and those relationships take time to build."

Now the vice president of investor relations for Avis Budget Group, Goldner doesn't rotate in that position...but his number two person does, which is just fine in his book.

"We have a two-person team," he explains. "Without a rotation, our number two would be stuck in a career with no upward movement because I don't plan on going anywhere. We use the position as an opportunity for high-potential employees to take them out of their day-to-day jobs so they can see the whole picture of the organization — what our strategy is, why Wall Street cares, what the global view of the organization is, where we are trying to go, and how it all fits in. After a number of years, they progress to a different position."

The timeframe before a switch occurs is usually around three years, but that's not set in stone, nor should it be, Goldner insists. "It will always be flexible because the number two person has to have a place to go," he says. Plus, he and coworkers have to agree on which up-and-comer gets to progress into the sought-after slot.

Although he tries to keep an open mind about qualifications, Goldner typically pre-

fers high-performing candidates who know the company and its systems inside out and who have a financial background. "The world has changed," he says. "With the way IR has moved over the last 10 years, I'm not sure how the number two person in my organization could not be a finance person because the nature of the conversations are often financial."

### Pros vs. Cons

For years, IROs have debated the pros and cons of rotational IR positions, both sides making intelligent, persuasive arguments. On the plus side, IROs argue that employees lucky enough to get the opportunity can gain a bird's eye view that will help them see the big picture in future roles.

"We have a rotational position for succession planning and to build bench strength behind our CFO," says Ryan Miller, vice president, investor relations, Rockwell Collins. "Typically, what's happened is the person who goes through this position becomes a leader in one of our businesses. Having that external perspective helps as they get into longer term strategic planning and setting expectations, which can influence how the company is perceived by the Street."

Miller, who has been in his position for almost 2½ years, was previously the controller of an operations group in the company. His IRO predecessor is now the vice president and controller of the company's commercial systems segment. "Think of that as the CFO who's in charge of business pursuits, financial reporting, and planning for that business," he explains.

Once they complete their stint, rotational IROs can go back out to a segment of the business with a new and improved Street

perspective, Miller says. "When we get into long-term planning, expectation setting, and thinking about how to communicate the story, having different people in the organization who can help connect the dots will make our story stronger as we attract investors," he says. "In addition, when you bring new people in, they have new ideas and provide bench strength for succession planning."

According to Miller, the rotation typically lasts anywhere from three to five years. "It's important to keep somebody fairly consistent for a period of time so they can develop relationships with the analysts and portfolio managers," he explains. "We try to bring people who understand our business and can provide a level of understanding to investors that someone from the outside couldn't — people who have real-life examples that they can communicate to investors. That's a benefit."

He points out that Rockwell Collins, which has \$5 billion in sales, a \$12 billion market cap, and 20,000 employees, makes internal promotions a habit, and the IR rotation provides a ready platform for that progression. "Our organization likes to develop robust succession plans and build our leaders from within," he says.

Goldner agrees that a rotating IR position gives high performers — and their companies — a leg up. "It's important to the organization and important for employees. We're taking them out of their day-to-day jobs so they can see the company's strategy, and IR is a great place to do that. There aren't many jobs where younger professionals get to work with the CEO and CFO on a regular basis."

He remains an advocate of rotating mid-level IR positions, even though he admits

that the constant turnover does increase his already heavy workload. “It taxes the senior person, but it’s the right thing to do for the organization and for the individual’s career,” Goldner says. “We want to develop our team and give them challenges that enable them to grow personally and professionally.”

Besides the extra workload, the two main disadvantages of IR positions with revolving doors readily come to mind:

**Lack of continuity.** Sally Curley, senior vice president, investor relations, Cardinal Health, has four direct reports, three of whom rotate through a program for high potential candidates within the finance organization. While the selected employees get great experience and visibility, she indicates the lack of continuity can be a bit of a problem for the Street. “They would prefer continuity from what they’ve told me,” she says. “While they like the engagement, it is always disruptive for them when someone moves on.”

That’s one reason why her company changed its policy of rotating the senior IRO. “I was brought into my current role because the primary individual previously heading IR was rotational from finance or strategy, and the company needed some structure and a pro in place to build an IR department,” she explains. “The continuity with the Street was key to rebuilding and maintaining credibility.”

**Learning curve.** Not only do IROs have to develop relationships with the Street, newbies need to quickly learn the ABCs of IR, which is no small feat. “With more than half of my team turning over every 12 to 24 months, it is tough to really delegate anything significant, and so the burden of training and much of the work still falls on my shoulders,” Curley says.

When he stepped into his new role, Miller freely acknowledges the learning curve proved to be daunting. “It probably took me nine to 12 months until I felt really comfortable answering all the questions off the cuff,”

## EASING THE TRANSITION

### COMPANIES COMMITTED TO ROTATIONAL IR POSITIONS OFTEN RESERVE THE COVETED SLOTS FOR THEIR FINANCE SUPERSTARS.

For example, at Cardinal Health, “they are being groomed for the best positions in finance,” reports Sally Curley, senior vice president, investor relations. “The company has had a history rotating IR positions, with the thought that they are creating well-rounded finance athletes by giving them multiple perspectives from their various roles throughout their careers.”

With four direct reports, three of whom rotate, Curley has the transition from beginner to seasoned professional down to a science. Here are six steps she routinely puts into practice with those employees who are rotating into her department:

- 1** The rotational team member meets with her to do a deep dive on IR, and she begins to leverage NIRI resources by identifying upcoming webinars and seminars to which she can send the individual. “Even for someone who has been in the position for 24 months, having that deep dive taught by a NIRI professional, is extremely helpful.”
- 2** In a one-hour meeting, Curley and the associate general counsel immediately conduct an in-depth briefing about disclosure dos and don’ts. They ensure the candidate understands that he or she is more restricted with respect to trading and now represents the company in every facet, internally and externally. “Because employees know you have inside information, the concept of the shadow of the leader becomes infinitely more important in the IR role.”
- 3** She spells out roles and responsibilities. “We need to have a clear process in place, including clear goals and a clear set of roles and responsibilities,” she says. “Otherwise, things can quickly go awry.”
- 4** She provides an IR handbook of processes to the new team members and asks them to review it. A week later, they meet again, and Curley answers any questions the new person may have.
- 5** She leverages team members already in place – but carefully – always referring the team back to the organization’s defined processes. “With such frequent rotation, things can change or fall through the cracks so this step is key,” she says.
- 6** She conducts informal team quizzes about important rules and issues, frequently picking teaching moments during staff meetings, “so they are learning, even if they don’t realize it.”

he says. “IR is a skill that you don’t pick up within a couple of weeks or months.”

To gear up, he went through a 60-to-90-day transition period working side by side with the outgoing IRO. “I sat in and listened to probably 50 calls so I could understand how he explained the story and talked about us,” Miller recalls. “He went to the first conference with me and walked me through what to do. In the first month or so, we did a mini road show in New York with the sell side analysts.”

During the initial months, he also spent lots of time reading transcripts to understand

how to communicate the company’s story. “After 13 years, I thought I really knew the company well,” he recalls. “I didn’t realize what I didn’t know until I came into this position. Being an IRO really prepares you for the next level of leadership vs. staying in your comfort zone. It stretches you.”

Although it wasn’t his first choice for positions, “serving as the IRO has been one of the most rewarding experiences of my career,” Miller now says. **IRU**

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