

SHARPENED SKILLS

Needed in IR Job Market

As competition heats up for investor relations positions with analysts continuing to flood the market, financial acumen leads the way among critical skillsets that successful IROs need to earn and retain top spots.

BY MARGO VANOVER PORTER



What skills do investor relations professions need in today's job market? It's a jungle out there, as any IRO who is competing for a new position will tell you.

Wall Street analysts are entering the profession in greater and greater numbers, as some sell-side firms shutter their research divisions while other firms reassess their equity coverage amid the new Markets in Financial Instruments Directive (MiFID) II regulations that took effect on January 3, 2018.

A NIRI/Korn Ferry 2014 study of the profession indicates that the number of IROs with investment banking backgrounds has increased 400 percent over the last 14 years and those with securities analyst experience has risen 366 percent.

"As the market dynamics have changed, we have seen more analysts coming in than in years past," observes Richard Marshall, global managing director, corporate affairs, Korn Ferry.

Market conditions for analysts continue to shift. "Analysts are covering more industries and more companies," he explains.

"Their workload has increased and their compensation has come down so some top analysts are looking at the possibility of taking the skillsets they have and going to the in-house role, which can be appealing to both the analysts and the companies that bring them in."

So what skills do analysts have that make them attractive to corporate leaders looking to fill an IRO slot?

"When we see a move like that, if you peel it back, the CFOs are looking for the deep analytics, somebody who is familiar with the industry sector, has financial rigor, and understands competitive dynamics," Marshall says. "Those are the skills that make an analyst attractive for an in-house role."

Ask Yourself Tough Questions

Smooch Repovich Reynolds, a global IR search consultant, has also seen a number of analysts moving into corporate roles. "When I give presentations to IRO audiences, this topic invariably comes up," she says.

Her standard response to IROs seeking information about the trend: “If you feel that Wall Street analysts are a threat, you should be asking yourself, ‘If corporate management teams are turning to analysts to fill the IR chair, what is it that they have that I’m lacking?’”

She believes analysts’ highly developed skills in finance and competitive analysis make them attractive, which is why she advises IROs to brush up on their financial acumen, when necessary. “If you need to invest in an executive MBA, I would go do it,” she says. “IRO jobs will only be more competitive as time goes by.”

Marshall agrees. “Financial acumen is incredibly important now,” he emphasizes. “Today’s business environment is so much more complex. Understanding how to read and interpret the numbers, how to position the company, and how the street and investment community will interpret these moves is critically important. Definitely during the last 10 years, the marketplace has shifted from softer skills to financial rigor, business acumen, and analytical skills.”

Reynolds cites another reason why corporations may be turning to analysts. “Some CFOs have a perceived notion that hiring a Wall Street insider who knows their company from the investment community perspective will give them an advantage in how they are viewed by Wall Street,” she reports. “The CFO senses that when that person makes the transition to the company, it will reflect positively in terms of the company’s equity valuation.”

While Reynolds doesn’t believe that is true, the perception remains. “I don’t think having an insider is an automatic ticket to a better valuation,” she emphasizes. “Valuation depends on how you run your business.”

Reynolds recalls a recent search in which the hiring company expressly requested that one of its analysts be included in the talent candidate pool. She complied and brought forth several analysts and several traditional IROs. The company ended up hiring two of the prospects: an IRO for the IRO job and an analyst for a finance job.

“For some companies, hiring an analyst for an IRO position is the right move,” Marshall says. “For other companies, not necessarily. It depends on what the CFO and the particular business are looking for.”

He points out that analysts who are changing careers may, in fact, have a longer learning curve than a traditional IRO. “If they’ve never been in an in-house role, while they may have terrific skills and understand the competitive field the company may be in, they may not understand how the earnings

cycle works and all the basic blocking and tackling involved in an IRO role, such as scripting the earnings calls, planning the shareholder meetings, issuing the quarterly reports, producing the collateral, and working the relationships internally. Those things may not be part of their skillset and could require a learning curve.”

Reynolds has seen several instances in which analysts have had trouble acclimating to the corporate world. “The investment community is often highly assertive,” she says. “They can be sharp elbowed. There is a competitive force in that arena that you don’t usually find in the corporate culture. Analysts can get tripped up making the transition to a corporate culture because they have to have a high degree of gravitas to really collaborate and partner with CFO and CEO on the relationships with the Street. It’s not just about being assertive or getting to an end goal. They have to learn when to push hard on the pedal and when to ease up depending on management’s perspective and views.”

An Ever-Expanding Role

Another trend spotted by Reynolds is the desire by companies for activist shareholder experience. “Corporations are facing headwinds that are much more aggressive than five years ago,” she explains. “Eight out of 10 of my clients are asking me for talent who have activist shareholder experience. Five years ago, only companies that had an activist challenge asked for that. Companies are girding for activists who come out of nowhere.”

Marshall echoes a similar sentiment. “The C-suite is a fishbowl,” he says. “It’s an activist environment. IROs need to understand the dynamics in the marketplace and bring the outside world inside the organization to help the leadership team understand what’s going on. They need to provide insight and intel in terms of how moves will be interpreted and what the impact could be on the stock.”

Although she hesitates to classify it as a trend, Reynolds has also handled several recent searches in which companies returned to a profile of candidates from yesteryear – a hybrid of investor relations and corporate communications. “These companies want to have an integrated function again,” she says.

According to Marshall, IRO roles are continuing to expand beyond the investor relations function. “We’ve seen cases where IR has been bundled with other disciplines, including treasury or corporate strategy. We are seeing the role morph more broadly.”

He points to a recent search that originally focused on seasoned IRO candidates with expertise in the retail segment where

Ready to Make a Move?

When Korn Ferry is hired to fill an investor relations slot, the search firm keeps a steady eye on the prize, says Richard Marshall, global managing director, corporate affairs.

“As we work on searches, we tend to be laser focused,” he says. “We try to understand what the CFO is looking for, what the leadership team wants in the role, and what success looks like. We then try to drill down before we go out to the market. We’re pretty surgical when we go after potential targets.”

For example, he explains that Korn Ferry is currently working with a company in the financial services space that is looking for five key criteria in its new IRO. He has lined up about 10 candidates who fit the bill.

He believes IROs who may be interested in a

new placement should quietly spread the word. “It’s always best to work your network if you’re beginning to look around,” he says. “The relationships you build over a long period of time are the people who know you best. You should certainly get in touch with the major recruiters as a potential resource and get on their radar screen.”

Marshall encourages candidates to do their homework before interviewing for a particular opportunity. “Think about how your skillset will transfer and how it is relevant to that brand. Is this company a turnaround? Is it a growth story? Is it an M&A? Is it a consolidation within the industry? Tell your story in a way that is compelling and draws your experience out. Don’t rely on the recruiter or company to do that for you. Craft your narrative around your skillsets and what you bring to that opportunity.”

the company eventually chose an applicant who possessed both analyst and IR experience. “This particular individual was bringing something new and additive to the leadership team,” Marshall says. “The company was looking at a whole range of new distribution channels and wanted somebody who understood retail and could bring different perspectives. Corporate strategy and corporate development became a part of this person’s mandate.”

The NIRI/Korn Ferry study backs up the broadening scope of IRO responsibilities. The results of the 2014 report indicate that 55 percent of respondents have other responsibilities besides investor relations, a 5 percent increase from 2012. The top 10 additional functions are external communication, financial media relations, internal communications, competitive intelligence, financial analysis, strategic planning, community relations, corporate development, treasury, and marketing.

As roles broaden, Marshall encourages IROs to think beyond their functional expertise to become more of a strategic business advisor. “You can be a seasoned advisor to the C-suite, not just owning the relationships with the analysts and investment

community but really having a voice and seat at the table in terms of looking at strategy and how that’s interpreted from the outside in and from the inside out.”

Reynolds makes a habit of encouraging IROs who want to stay at the very top of the profession to volunteer for new responsibilities and to wear multiple hats. “When your boss asks you to do something outside of your wheelhouse, your answer should always be yes because your boss will rarely ask you to do something at which you will fail on their time,” she says.

“Chances are they see in you a talent or ability that is highly additive even if it’s not in your core area. That’s a competitive advantage. A lot of IROs don’t understand that and don’t embrace it, which can be a career killer.

“IROs can’t just be investor relations professionals,” she continues. “They have to be corporate athletes who understand the metrics of every corporate function and how those metrics and leaders contribute to overall success.” 

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