

SALARIES

A NIRI survey shows that companies value IR expertise. Experience and credentials count and the gender gap has narrowed.

By Alexandra Walsh

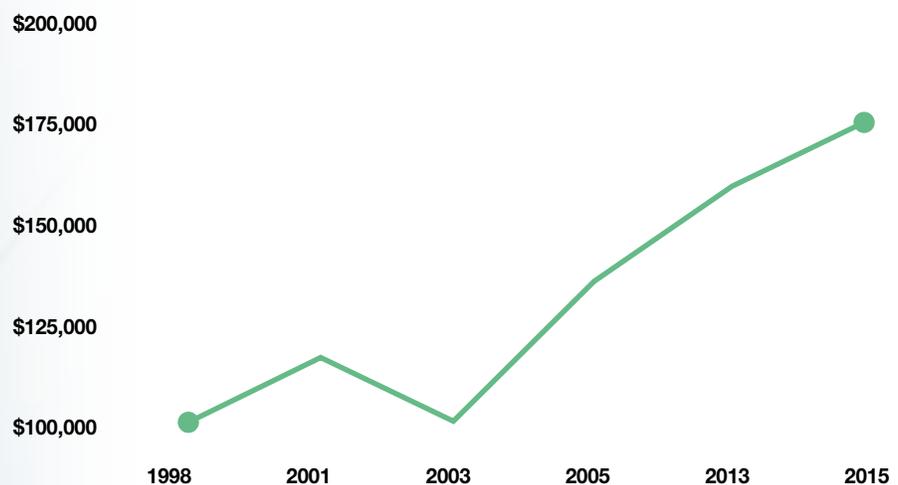
After experiencing a dip in median base salary in 2013, IR counselor practitioner compensation is on the rise again, according to an IR Counselor Compensation Study released recently by NIRI. The median base salary for investor relations counselors increased 10 percent in the past two years to \$175,000 (the inflation adjusted increase was closer to 9 percent).

Marian Briggs, executive vice president of PadillaCRT, recounts that while the crisis side of the business remained strong during the Great Recession, there were some very dark days for many IR counselors in the fall of 2008 and into 2009, which the very slow recovery in 2010 did little to offset. She points out, “It takes a while to climb out, but climb out we have, and rising salaries are, in part, a reflection of that.”

“It’s true that the capital markets are healthy and there are more opportunities for IR professionals, but I also think that because of the turmoil of the recession, public companies value the IR function more than they did 20 years ago, whether that is reflected in a decision to hire internally or use a consultancy or both. The days of just putting out a quarterly news release are over. Most management teams acknowledge you have to do more to tell your story. Most clients will pay some amount of money to get good counsel, and that’s what we’re seeing in the compensation numbers reflected in this survey.”

Similar to corporate IROs, there are location-based differences in median base salary. IR consultants working in the Pacific region reported the highest median base salary (\$195,000)

Median Base Salaries for Counselor Member IROs by Year



Source: NIRI IR Counselor Profession and Compensation Study (various years). Compiled by NIRI January 2016.

when they were surveyed in 2015. That's a change from 2013, when counselors working in the Mid-Atlantic region reported the highest median base salary (\$187,000). And, for counselors working outside the United States, base salaries continued to climb to a median of \$100,000.

"We are located in the San Francisco Bay Area and I think what is happening here shows the market for all IR practitioners has improved – there's a strong demand for IROs and consultants that can deliver real strategic value to the function across messaging and targeting. Increasingly, consultants are hired in tandem with internal IR staff as companies expand the IR function and budget," says Nicole Noutsios, founder, NMN Advisors. "Salaries reflect supply and demand – it's a good market right now; we are going through a period of strong economic growth in the Bay Area and that's reflected in more hiring and expanded IR budgets. On the consulting side, companies are recognizing the need for senior and strategic IR counsel and are allocating budgets for true value-add consulting expertise."

While the majority of respondents did not receive a cash bonus (excluding long-term incentive plan payouts) in 2013, 71 percent did in 2014, according to the survey. Similar to corporate IR where large companies are still more likely to award bonuses than smaller ones, those working as independent consultants or in an agency with 25 IR professionals or fewer, were most likely to not receive a bonus. For those receiving a cash bonus in 2014, the average was approximately \$31,700. In addition, 71 percent of counselors do not receive equity.

"We are such an agency, with fewer than 25 employees," points out Hala Elsherbini, senior vice president and COO, Halliburton Investor Relations. "But, we believe you have to compensate competitively and have some kind of stock benefit, 401(k) plan, and a whole benefit package to retain key

staff and to service accounts."

The most popular additional benefits indicated by the survey are health insurance (72 percent), with other benefits significantly trailing. The second most frequently-cited benefit was club membership (27 percent) followed by automobile (19 percent), medical exams (17 percent), life insurance plan (11 percent), and special officer pension plans (2 percent).

Experience Pays

The most important drivers for IR counselor compensation continue to be the number of years of valuable IR experience a counselor brings to the table, as well as geographic region.

"In a field in which there is a high level of change as companies and jobs come and go, consultancy is increasingly attractive for very senior people," notes Bob Burton, managing director, financial communications, Lambert, Edwards & Associates. "And with their deep knowledge and years of experience, they expect to be compensated at a higher level."

For 2015, the average number of years of IR experience for counselors was 18. The two largest populations of IR work experience are those with 21 to 30 years (32 percent); those with 16 to 20 years (26 percent); and those holding 31 or more years of experience a close third (17 percent). Comparing 2013 data with 2015 shows a movement of counselors toward brackets with greater IR experience (16 years or more).

"That the experience level of IR counselors is skewed very deep along with tenure in IR reflects the fact that for a management team to trust you as a consultant, it's important that you've been through a few market cycles and have done enough work across many companies and industries to know what works and what doesn't," suggests Briggs. "To have a long-term view,

and be able to message that way, is very helpful for IR."

Similar to their counterparts in corporate IR, the number of different industries a counselor will work in during their career is increasing. More than 76 percent of the IR counselor population reports having worked in three or more different industries.

"Lambert, Edwards bears out this statistic," says Burton, who began his career as a journalist covering politics, among other beats. "For example, I've also worked in several industries in IR, but most of us have a specialization. Mine happens to be retail so I know the analysts and buy sides who invest in retail. I have deep knowledge of the industry and the investment community that focuses on that."

The MBA continues to be the most popular degree among those who attained advance education and are in IR counseling. However, the percentage of counselors attaining the Chartered Financial Analyst (CFA) credential has remained flat. Additionally, the percentage of the counselor population holding the advanced certification of Certified Public Accountant (CPA) has decreased by over 50 percent.

On the other hand, both Elsherbini and Burton believe NIRI's first-ever IR certification program, the Investor Relations Charter (IRC) – which will be available for the first time in 2016 – will prove to be a very useful tool for counselors. The IRC program not only establishes a framework for what defines the profession of investor relations, but also provides IR practitioners the opportunity to demonstrate their knowledge, their expertise, and their commitment to answering to the high standards required within the profession.

"I think NIRI's IRC IR certification coming online is of huge significance and will help the profession on both sides," Elsherbini says.

Burton agrees and adds, "IRC certification

will be very helpful when launching your own consultancy – it will be very beneficial to have that IR charter hanging on the wall.”

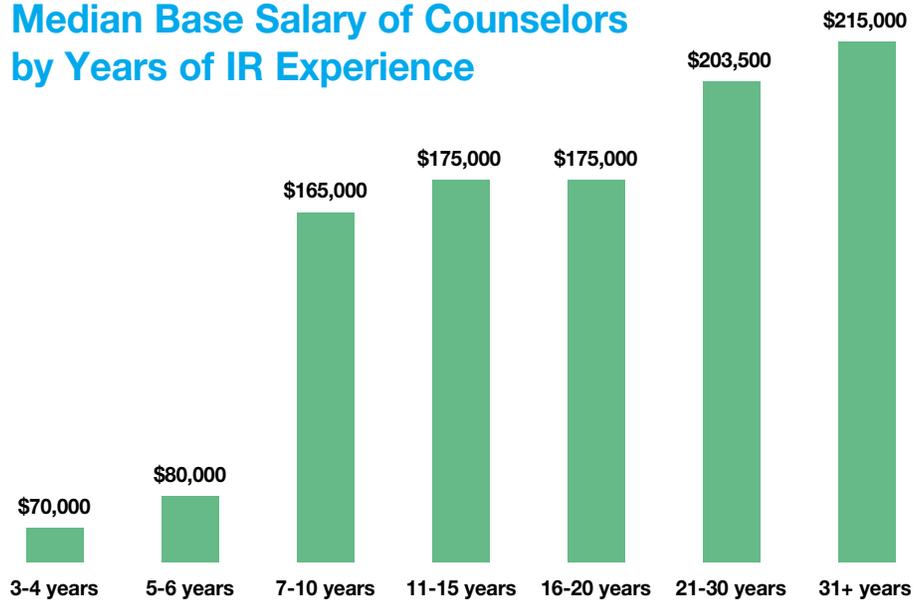
This year, 30 percent of counselors reported corporate IR as the background in which they gained the most professional experience before becoming an IR counselor, followed closely by 25 percent who mentioned a corporate communications background, and 11 percent reporting sell-side experience.

“While the study suggests that high growth is coming from consultants who have a communications background, this may be because crisis and activism work has been a growth area,” Noutsios observes. “And, if you are working on crisis work, having a strong corporate communications background adds great value to ensure you have a seamless approach to your communications efforts. At the same time, my team has expanded with the addition of Wall Street professionals. There are also a number analysts of who are transitioning into the IR function, especially from the sell side.”

“There’s been a push and pull for years over whether it’s better to have an MBA in finance or a communications/journalist background to succeed in IR,” observes Briggs. “Perhaps companies have enough CPAs and MBAs that understand numbers and they’re hiring more people that can interpret those numbers and tell a story on a strategic level.”

Regarding the services that counselors offer to clients, the most common are positioning/messaging (93 percent), writing press releases/scripts (90 percent), and strategic planning (88 percent). The percentages are slightly different when counselors report the array of services offered by the agency they work for – analysts’ meetings/contacts (100 percent), strategic positioning/messaging (96 percent), and crisis communications (95 percent).

Median Base Salary of Counselors by Years of IR Experience



Source: NIRI IR Counselor Profession and Compensation Study (2015). Number of respondents = 54.

“These survey results substantiate trends that have impacted my firm’s growth,” Noutsios reports. “Companies are starting to understand the landscape is changing and companies are looking for senior counselors with the expertise and strategic counsel to handle activism, positioning, and crisis communications. Additionally, we retain clients for more than 10 years and we have found many companies are looking for a long-term senior partner to add value. And, at times, a senior consultant can bring long-term continuity to the function.”

As the average number of years’ experience in IR (the largest percentages being 16 years or more) continues to increase, counselors are now looking to remain where they are, grow their current practice, or permanently retire within the next five years.

“With the proliferation of people getting into IR consultancy, if a senior practitioner on the corporate side is thinking about retirement, or maybe thinking they’ll open their own shop, they better think that through carefully,” advises Burton. “To be a consultant these days requires putting in many hours and needing a number of connections – you

can’t simply get a phone and make a couple of calls and pick up some clients.”

More counselors hail from a variety of professional backgrounds than ever before. Since 2009, there has also been a noticeable (30 percent) increase in the number of counselors who report having worked as a buy-side or sell-side analyst at some point during their career. Although not as steep, this increase is in line with the dramatic (77 percent) increase seen among corporate IROs.

The Jump into IR

“The restructuring of the capital markets and [changing] roles within those markets are leading more sell side analysts to elect to make the jump into IR,” Burton contends. “It might be that they don’t see opportunities in the sell side anymore; there are fewer slots and less seniority in those slots – and, consequently less compensation – so IR can be an attractive alternative.”

Burton believes there are long-term implications to this migration. “As we get more and more people with strong finance backgrounds in the business, there will be greater emphasis and importance placed on finan-

cially simply because the “numbers” people are most comfortable crunching numbers.”

Burton says this tendency to focus on financials may narrow the communications process and might not be healthy in the long run. “It’s always true that numbers are very important in valuation. But, the non-financials that constitute 30 to 40 percent of company valuation – things like market position, management credibility, ability to communicate with the market and investors, and perceived transparency – continue to be extremely important to achieve fair valuation in the marketplace.”

What Gender Gap?

The majority gender in the counselor relations practitioner field has fluctuated over time. For the last two survey years, the percentages have been dramatically different, with near parity in 2013, and a 10 percentage point increase in male counselors (rising to 59 percent) by 2015.

Interestingly, gender was not a factor that affected the average compensation of IR counselors in 2015. Total cash compensation (salary plus bonus) was almost equal for men (\$204,269) and women (\$202,003) counselors.

Elsherbini also has noticed this trend.

“The commission structure within the sell side and certain changes with consolidations and with brokerage firms probably means that the profession is more male-oriented, and that transitions into the IR role – whether corporate or counselor.”

Elsherbini adds, “With one or two person agencies coming on line, you might also find that model is not as accessible or available to women as to men.”

“The gender thing is a surprise, and maybe even a fluke, or more anecdotal than factual,” suggests Briggs. “Most men I know who left the sell side and went to IR are on the corporate side, more than in consultancy. The other way to look at it is – all sorts of people have realized it’s a great career and interesting every day of the week.”

The Outlook is Bright

Counselors continue to be optimistic about their profession as the worst of the recession is left behind. More than three-quarters of the 2015 respondents said they anticipated greater revenue growth during that year. The majority of counselors predicted moderate (between 10-19 percent) revenue gains, and they reported growth in the areas of staff and client

bases for the second time since 2009.

“I’m optimistic about our profession. IR is an important niche role and becoming a more strategic role, rather than blocking and tackling, and that’s what executives are looking for from internal IR and counselors,” sums up Elsherbini. “This is what is needed today when dealing with

activists or heightened corporate governance – someone to keep their ear to the investment community and be a strategic partner.”

“I think IR has matured in many ways and companies realize IR is a vital function, no matter how they choose to address it from a resource standpoint,” Briggs says. “The economic recovery delivered a strong year for IPOs in 2014, but that was down some in 2015, because of global turmoil more than anything.”

Looking to the future, Briggs believes, “For this industry, we need more IPOs and not too many public companies taken out by other public companies – competition for clients is pretty fierce. But, there’s also lots of work out there and lots of opportunities – and plenty of companies that have been going it alone for a while that might decide they need to up their game and have just enough work to justify turning to a consultancy.”

“What I love about working on the consulting side is that no day is ever the same. It’s very challenging and rewarding. I am always working on interesting projects, solving hard problems, and working with smart and driven people,” Noutsios adds. “The only downside to the job is, at times, you need to handle multiple crises so you need strong multitasking skills and the ability to guide a team to the best outcome.”

Burton says, “I love what I do. I get up every day and look forward to working with a different company and love finding a new idea and helping to shape how that looks and how to present it to the market and investor community. It’s a ton of fun and what has kept me attracted to it for 30 years.” **IRU**

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