

Senior management and investor relations

It is rare to find senior management members at a listed company who are indifferent to the perception of their company in the investment community. Where such indifference does exist, it may be born of over-confidence or arrogance, or it may result from a failure to understand the importance of investor sentiment to the future of any listed firm.

In previous research we established that the quality of senior management is crucial to the investor perception of a company, so we know how important senior management is to investor relations. But the question remains: how important is investor relations to senior management?

In our latest survey, 142 respondents identified themselves as members of C-level management. Most of these were CFOs, unsurprisingly, given that this is the senior management group most closely associated with investor relations.

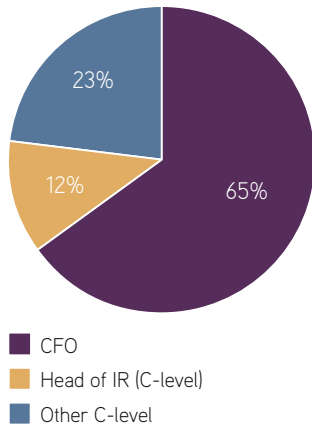
This report does not seek to make definitive statements about how *all* members of senior management practice and view investor relations. Those who respond to a survey about IR are by definition more likely to be engaged in the subject. But their responses do provide insight into senior managers' engagement with investor relations and what they are looking for from the IR function.

In association with

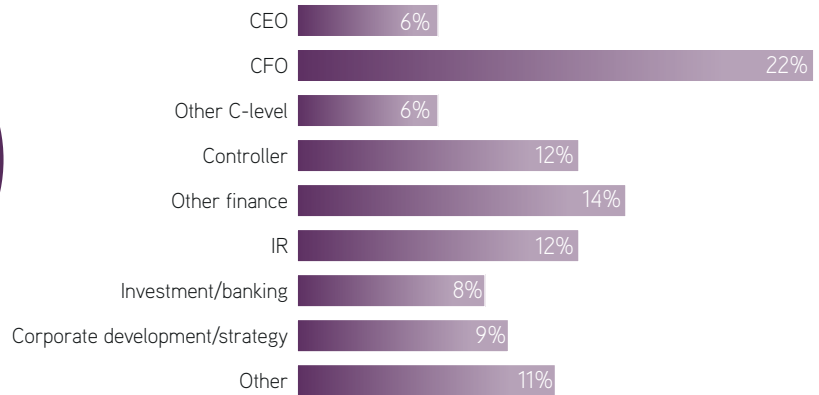


Senior management roles and background

Current role



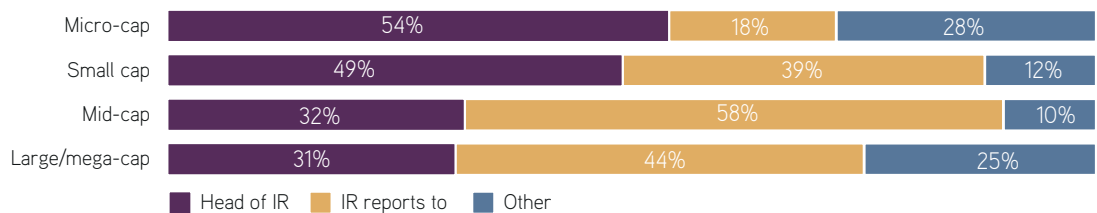
Previous role



Nearly two thirds (65 percent) of our survey respondents are CFOs and 12 percent are heads of IR with senior management status. Twenty-two percent of respondents were previously CFOs at another company. Just over a quarter come from other financial roles, 12 percent were previously in investor relations and 8 percent come from an investment or banking background.

IR roles

Respondents' IR roles, by cap size



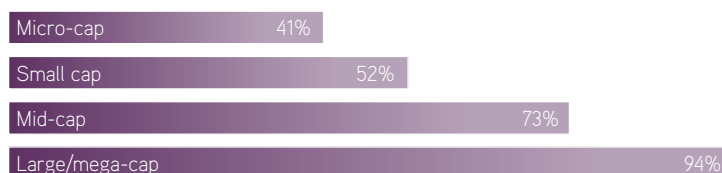
When it comes to the IR role of survey respondents, there is a roughly even split between senior managers who are also directly in charge of IR and senior managers to whom the head of IR reports. Globally, respondents are 40 percent IR heads, 42 percent the C-level head of the IR reporting line, and 18 percent someone with another relationship to investor relations.

There are clear regional differences in the respondent profiles for IR roles. The North American figures broadly match the global percentages, as do the percentages for the 'other' category across the regions. But European respondents are more than twice as likely to be the senior management member to whom IR reports, as opposed to being the IR head themselves. The reverse is true – and even more pronounced – among Asian respondents, where 69 percent are the actual head of IR and just 13 percent the senior manager to whom IR reports.

There is a clear pattern here determined by company size: the greater a company's market cap, the less likely respondents are to head up the IR function. Senior managers to whom IR reports rise from 18 percent among micro-cap respondents to 58 percent among mid-caps. This figures drops to 44 percent among large/mega-caps, although this is partly due to a rise in respondents who are neither head of investor relations nor the senior manager to whom IR reports.

Dedicated IROs

Dedicated IR role



Overall, two thirds of respondents have within their company an individual dedicated to the role of investor relations. The rate is lower among North American respondents, where 59 percent have a dedicated IRO, and at its highest among Asian respondents, where four fifths (80 percent) have a dedicated IR individual or department.

As company market cap increases, the likelihood of having a dedicated IRO increases: just 41 percent of micro-cap respondents have a dedicated IRO; this rises uniformly to 94 percent among large/mega-caps.

Days spent on IR

IR days



The average number of overall days per year that survey respondents spend on investor relations is 37. North American senior managers match the overall average, while European respondents spend less time (33 days) and Asian respondents more (44 days). Across company size the average number of days spent on investor relations is consistent from small cap to mega-cap (39-40 days). At micro-cap level, however, the number of days respondents spend on IR drops to 27.

Unsurprisingly, senior managers who are also head of IR spend considerably more time on investor relations than other senior managers. On average, respondents who are IR heads spend 51 days per year on investor relations, senior managers to whom the investor relations function reports spend 31 days, and all other respondents spend just 23 days.

Measuring IR

Importance in measuring IR quality

Composition of shareholder base



Accuracy of sell-side models and forecasts



Analyst coverage



Investor meetings/roadshows/events



Speed of response to investors and analysts



Investment community feedback



P/E relative to peers



In our survey we asked senior managers to rate the importance of several factors in measuring the quality of their company's IR. They were asked to rate each factor on a scale of zero to 10, where zero is not at all important and 10 is extremely important. The above heat bars indicate the value placed on each factor in measuring the effectiveness of IR. Each color section represents the number of respondents assigning a particular score, with zero (not at all important) represented by deep blue on the far left of the bar and 10 (extremely important) by deep red on the far right. The more pronounced the red tones, the more important that factor is considered by senior management in measuring IR. The more blue, the more respondents assign little or no value to the factor when assessing IR effectiveness.

As can be seen, speed of response to investors and analysts and investor meetings/roadshows/events are considered the most important factors by senior management when it comes to measuring IR. Three quarters (75 percent) of respondents give investor engagement through meetings, roadshows and events a score we class as 'very important' (8+), with 19 percent giving a perfect score of 10. Prompt responses to the investment community are valued as very important by 69 percent, with 21 percent giving a score of 10, the highest number of perfect scores received by any category.

The third-most important area for measuring IR is analyst coverage, either in terms of quality or quantity, and the fourth is feedback from the investment community, either in general or through more formal investor perception studies. The factor considered least important by senior management measuring the quality of IR is the company's P/E relative to its peers. This is the only category where more respondents give a score of 5 or less (36 percent) than 8 or more (33 percent).

Average scores for importance in measuring IR

	MICRO-CAP	SMALL CAP	MID-CAP	LARGE/ MEGA-CAP	DEDICATED IRO	
					YES	NO
Composition of shareholder base	7.0	7.0	7.2	6.6	7.1	6.6
Accuracy of sell-side models and forecasts	6.4	6.9	7.4	7.0	7.2	6.6
Analyst coverage	7.0	8.2	7.7	7.5	7.7	7.6
Investor meetings/roadshows/events	7.2	8.3	8.3	8.6	8.5	7.4
Speed of response to investors and analysts	8.1	7.9	8.0	8.5	8.4	7.5
Investment community feedback	7.2	7.1	7.3	7.6	7.6	6.7
P/E relative to peers	5.9	5.8	6.2	6.3	6.9	5.3

Examining how IR is measured in each region produces little meaningful deviation from the overall global figures. Asian respondents tend to give higher figures, most notably with investment community feedback and P/E relative to peers. The 5.7 score given by North American respondents to the importance of P/E relative to peers is the lowest score given by any region or cap size in this data group.

More meaningful deviations from the global norm can be found when the data is analyzed by company size. Meetings, roadshows and events would be considered the most important area overall were it not for the relatively low score among micro-cap respondents (7.2, bringing the overall average down to 8.1). There is a one-point difference between the importance attached to the accuracy of sell-side models and forecasts among micro-cap and mid-cap respondents (6.4 and 7.4, respectively).

The importance of analyst coverage in evaluating IR drops steadily from 8.2 at small caps to 7.5 at large/mega-caps. Analyst coverage is least important among micro-cap respondents, where the average score is 7.0. That said, the average number of analysts covering a micro-cap company is 2.3 compared with 6.1 for small caps, so it may be that senior management at micro-cap level consider increased analyst coverage to be too unlikely and too dependent on other factors to be an effective means of measuring IR.

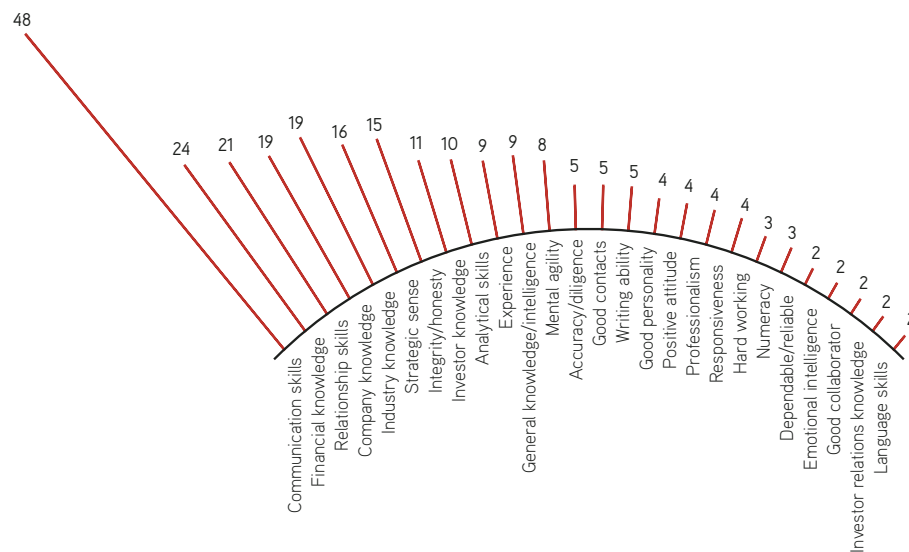
There are few key differences in importance attached by senior managers who are also head of IR and those to whom the head of IR reports. IR heads tend to attach more importance to analyst coverage and speed of response to investors and analysts. The biggest difference comes with investment community feedback, where IR heads give a score of 7.9 compared with the 7.1 given by the senior managers to whom IR reports.

The greatest differences are to be found between the views of senior management in companies with a dedicated IRO and those with no employee dedicated to the role. In every category except analyst coverage, the average score given by respondents with a dedicated IRO is at least half a point higher than that given by those with no dedicated IRO. For investor meetings/roadshows/events the difference is 1.1 points on the scale; for P/E relative to peers, it's 1.6 points.

The fact that senior managers in companies with a dedicated IRO consistently place more importance on factors when measuring IR suggests they place more importance on measuring IR overall. It suggests there is an understandable correlation between having a dedicated IRO and greater attention being paid by senior management to IR performance.

What senior management looks for in an IRO

We asked all senior managers who responded to our survey: what main qualities do (or would) you look for in an investor relations officer? This was an open question where the respondents could answer any way they saw fit, without any prompting. Most respondents mention several different qualities. Below is a list of the ones mentioned by more than one respondent.



Communication skills are by far the quality most sought-after in IROs by senior management, with twice as many mentions as financial knowledge, the second-most popular response. Relationship skills, industry knowledge and an understanding of the company closely follow as the next most-mentioned qualities senior management look for in an IR professional.

There is little difference between the regions in what senior management looks for in an IR professional. North Americans place slightly more emphasis on relationship skills and a sense of strategy, while Europeans place more on company knowledge and integrity. When it comes to company size, micro-cap companies value integrity and experience more, financial knowledge less. In fact, integrity/honesty is the quality most mentioned by micro-caps, making them the only group that does not place communication skills at the top of the list. The larger the company, the more important it is for an IRO to have good knowledge of the company and its operations, with this quality rising steadily in mentions from micro-cap to large/mega-cap.

Senior managers who are also investor relations heads tend to favor integrity and experience more than the overall average, although this may be because they tend to come from smaller companies. Senior managers to whom IR reports place more emphasis on company knowledge, but again this may be because they tend to come from larger companies.

As for the respondents who do not have a dedicated IRO, their dream IRO would possess the communication skills, financial knowledge and relationship skills that most respondents in general consider important. Not only do they place greater value on integrity and experience, however, as do their counterparts at many smaller companies, but respondents without an IRO also emphasize the need for their ideal IRO to have knowledge of the investment community. Gaining a greater internal understanding of the ins and outs of the investment world is a clear persuading factor for senior managers when evaluating the worth of taking on a dedicated IRO.

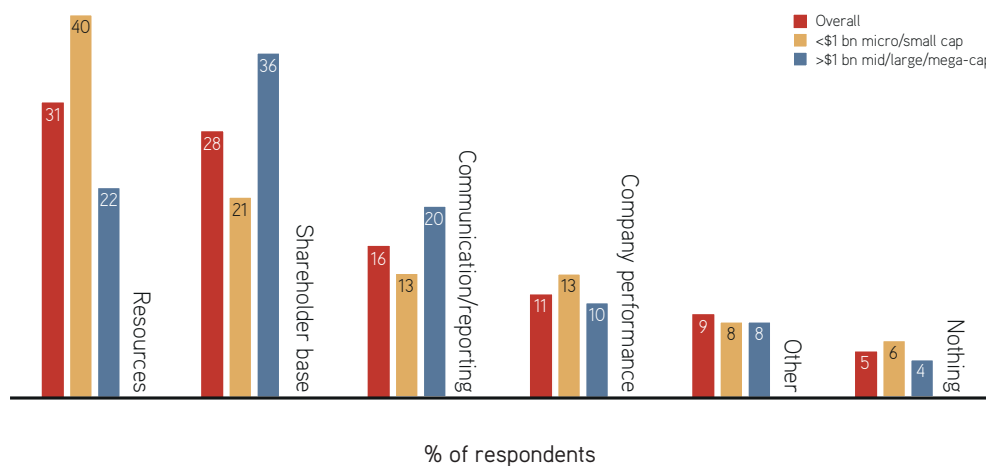
How to improve IR

Senior management respondents to our survey were asked to comment on what would improve the quality of their company's investor relations. This was an open comment question and respondents were free to reply how they wished with no pre-set answers to choose from. Each response was then categorized according to the nature of its focus. The potential areas for IR improvement were categorized as resources, shareholder base, communication/reporting, company performance, and other. A few respondents claim nothing could improve their company's investor relations.

The most common factor identified by senior managers for improving their company's IR is the need for better resources. Almost a third (31 percent) of respondents identify the need for increased time, money or personnel to improve their IR function. This is closely followed by the 28 percent of respondents who identify issues to do with the company's shareholder base. For these respondents, IR would be improved by having a better understanding of, and ability to identify, their current shareholders, or by improving the shareholder base through targeting and outreach. Better communication/reporting or improved company performance generally are considered lesser factors in improving the quality of investor relations.

What would improve the quality of your company's investor relations?

By market cap

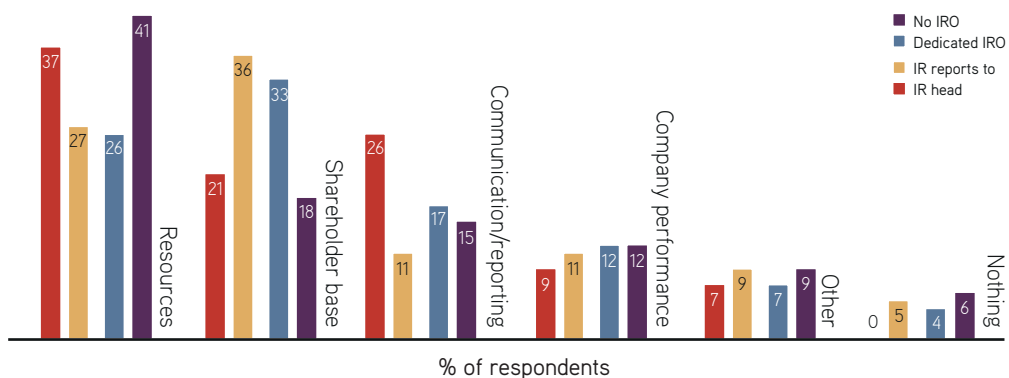


There is a clear difference in what senior managers think will improve their company's IR when the results are viewed by company size: 40 percent of responses at companies with a market cap of \$1 bn or less (micro and small caps) refer to the need for improved IR resources, compared with just 22 percent among senior managers at companies with more than \$1 bn market cap (mid, large and mega-caps). In the larger market cap bracket, issues to do with the company's shareholder base are the most identified means of improving IR: 36 percent of responses in the more than \$1 bn market cap bracket refer to these issues, compared with 21 percent in companies with a market cap of \$1 bn or less.

Regionally, European and Asian senior managers are more likely to cite communication/reporting or company performance than their North American counterparts, who concentrate further on the two most popular categories of resources and issues around the shareholder base.

What would improve the quality of your company's investor relations?

By respondent type



On the issue of how IR can be improved, there are clear differences between the emphasis placed by senior managers who are also heads of IR and that placed by senior managers to whom the head of IR reports. IR heads mention resources 37 percent of the time, compared with 21 percent of mentions for issues to do with the shareholder base. The situation is reversed among senior managers to whom IR reports, where 36 percent of mentions are to do with the shareholder base, compared with 27 percent to do with additional resources. IR heads also place greater emphasis on communication and reporting than those to whom IR heads report: 26 percent compared with just 11 percent.

Similar differences are to be found between senior managers in companies with a dedicated IRO and those without a dedicated IRO. Senior managers who have a dedicated IRO cite shareholder base issues over resources (33 percent and 26 percent, respectively), while those without an IRO greatly favor additional resources: 41 percent compared with just 18 percent for shareholder base issues.

What would improve the quality of your company's investor relations?

Company performance			
Country	Sector	Market cap	Comment
US	Healthcare	Micro-cap	Higher market cap
Hong Kong SAR	Healthcare	Micro-cap	Management attitude toward IR activities
US	Consumer discretionary	Mid-cap	An increased emphasis around participation by senior management has really improved our IR efforts over the past two to three years
Poland	Consumer discretionary	Small cap	Consistency of great results exceeding market expectations; holding regular investor days globally; having a more global and diversified shareholder base
India	Energy	Large cap	Clarity in company's vision
Russia	Materials	Mid-cap	More detailed peer comparison/benchmarking

Communication/reporting			
Country	Sector	Market cap	Comment
Hong Kong SAR	Communications	Mid-cap	More attention given to shareholders and analysts
US	Industrials	Large cap	Real-time buy-side feedback
US	Industrials	Small cap	More regular and clear communications with investors
UK	Energy	Mid-cap	Better management of expectations; more timely preparation for documents
Taiwan	Technology	Mid-cap	Enhance the English version of the web page
Moldova	Consumer discretionary	Small cap	Have annual reporting on IR
US	Healthcare	Micro-cap	Greater use/leverage of client testimonials would help our investors better understand our value proposition
Mexico	Industrials	Mid-cap	Target investors for communications, improve communications timing, improve knowledge of the company outlook

Shareholder base			
Country	Sector	Market cap	Comment
France	Consumer discretionary	Large cap	Better geographic coverage
US	Consumer discretionary	Mid-cap	More long-term holders of our equity
US	Energy	Mid-cap	Smarter investors
US	Technology	Large cap	I think we're best in class in terms of the work we do internally. We'd be able to do a better job if we had better visibility into who was trading in our stock
China PRC	Energy	Mid-cap	Better investor tracking and follow-up
Argentina	Technology	Large cap	Better targeting execution. Not so much determining appropriate targets, but having the discipline to work mainly with those accounts and not spend as much time on other inbound or banking relationship-driven meetings
US	Consumer discretionary	Small cap	Additional resources to conduct more extensive research on potential institutional investor targets
Canada	Materials	Micro-cap	More travel to see potential shareholders
Hong Kong SAR	Industrials	Mid-cap	Conference days that are focused on the industrials sector

Resources			
Country	Sector	Market cap	Comment
Canada	Technology	Micro-cap	Time and money
Belgium	Financials	Small cap	Full-time job instead of part-time role
US	Industrials	Small cap	Additional headcount. Currently operate with a team of 1.5 people
China PRC	Communications	Small cap	An experienced investor relations officer
France	Energy	Mid-cap	Hire an Anglo-Saxon IRO!
US	Industrials	Small cap	The time to be more proactive, as opposed to the somewhat reactive approach we currently use
US	Financials	Micro-cap	More time to meet with more people and explain detailed financials
Italy	Industrials	Mid-cap	To have more time to dedicate and follow the matter properly

Other			
Country	Sector	Market cap	Comment
France	Communications	Mid-cap	Harmonization of international rules; better understanding from proxy
Brazil	Financials	Micro-cap	To be constantly aware of the international situation, not only in terms of investment opportunities and products but also, especially, the geopolitical scenario
US	Financials	Mid-cap	Access to industry developments
Ghana	Financials	Micro-cap	Training of investor relations officer
US	Financials	Small cap	While it can always be improved, I think it is excellent for a company as small as ours

Sponsor's statement

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Simply put, we turn information into intelligence. Stand-alone stock surveillance tells you what happened; sell-side reports tell you what the analysts expect. But Oxford Intelligence Partners' innovative Options Intelligence™ and Predictive Analytics, coupled with our intensive surveillance, offer a glimpse into the future. That's what we call Uncommon Intelligence™.

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