# Global survey of budget and team structure

xbInsight

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IR magazine

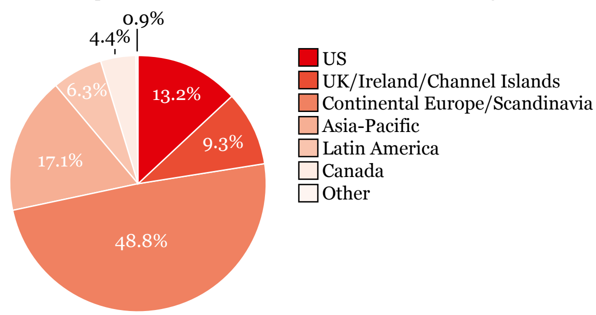
A Cross Border publication

# Introduction

Budgets everywhere have been put under strain. IROs worldwide report increasing scrutiny of return on investment as a lasting legacy of the financial crisis. IR vendors, meanwhile, complain of increased competitiveness in the market for IR services, as issuers increasingly drive harder bargains with their suppliers to achieve better-value services. The survey reveals a wide range of IR budgets around the world with large variations in the proportion of budgets allocated to external IR support.

**1. Respondents by geographic region**

205 respondents from leading IR practitioners in the US, Canada, Brazil, the UK, continental Europe and Asia-Pacific, in accordance with our regional awards program.




**The average mean budget in Asia-Pacific (excluding staff and annual report costs) is $396,212 a year**

### Where are you located?

The respondents were polled in June and July 2010 and came from more than 20 different countries. Questionnaires were sent to leading IR professionals, defined as those who score highly in our IR Magazine Awards. The IR Magazine Awards for investor relations are the result of extensive interviews with the buy and sell-side conmmunity. *IR magazine*'s independent researchers conduct interviews with hundreds of buy-side analysts, sell-side analysts and portfolio managers in order to identify the best IR practitioners. These interviews form the basis of our awards; they also allow us to rank all companies across all regions for the quality of their investor relations.

### The findings

Issuers in Asia-Pacific are the most budget-constrained and have, on average, the lowest modal budgets in the world. More than 50 percent of respondents in Asia-Pacific have a budget of less than $250,000 per year; those in Brazil, the US and continental Europe enjoy above-average IR budgets. Only 29.5 percent of respondents in continental Europe and 18.5 percent in the US have a budget of less than $250,000 per year. Eight of the 11 companies with the largest budgets – more than $2.5 mn per year – are located in

# Budgets

continental Europe. As noted on page 4, companies with higher budgets (excluding staff and annual report costs) typically have larger IR teams. There is, however, little correlation between the size of the IR team and the proportion of the budget allocated to external IR support.

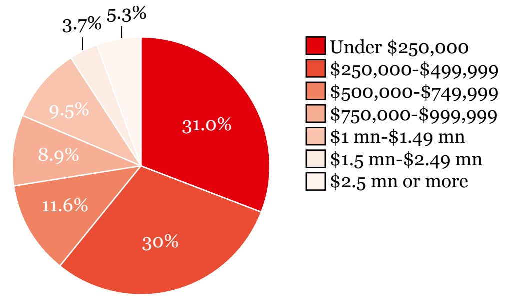
Companies in continental Europe and the US have the highest budgets allocated to investor relations (excluding staff and annual report costs). The modal budget size for US corporates surveyed is in the $1 mn to $1.49 mn bracket. For continental European and UK issuers, the modal budgetary band is $250,000-$499,000.

## Budget sign-off

IROs don't always have the ultimate say on their budgets. Many have to share sign-off responsibilities with a member of management; nearly half of those polled have to run their decisions past their CFO or CEO. Issuers in continental Europe are the most autonomous, with 64 percent responsible for signing off their budgets. Corporates in Asia-Pacific are the least autonomous in terms of budgets, with only 48.6 percent having sign-off.

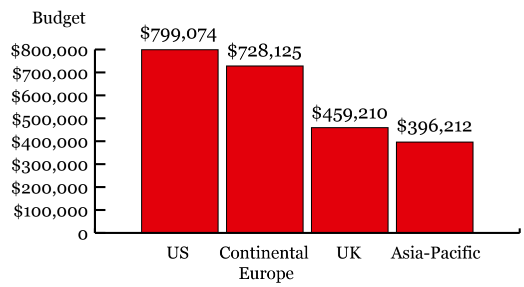
### 2. Average IR budget

**Excluding staff and annual report costs**



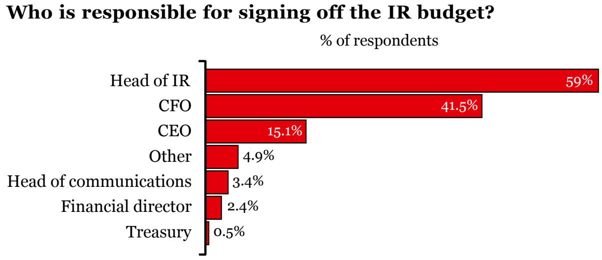

### 3. Mean average budget

**Excluding staff and annual report costs**




### 4. Global average budget responsibility

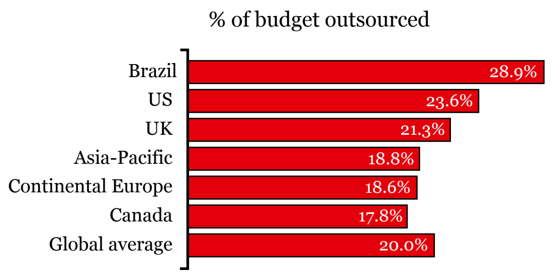
**Who is responsible for signing off the IR budget?**




Note: Figures do not add to 100 percent because in some companies more than one person is responsible for budget sign-off.

# Outsourcing IR

### 5. Outsourced spend




### 6. External IR support

**Percentage of budget allocated to external IR support for the 11 respondents with the largest IR budgets**

| % of budget spent on outsourcing | Size of IR team |
|---|---|
| 0 | 4 |
| 0 | 11 |
| 3 | 9 |
| 5 | 6 |
| 5 | 16 |
| 10 | 4 |
| 20 | 8 |
| 20 | 11 |
| 20 | 13 |
| 60 | 9 |
| 70 | 15 |

Mean average budget outsourced for the companies with the largest budgets: 19.4 percent.

## External IR support

To outsource or not to outsource, that is the question. The figures show the majority of IR departments polled manage their IR activities in-house; outsourcing to vendors is a relatively small proportion of overall costs. Interestingly, there is little variation between regions, with the exception of Brazil, which is an outlier. The average Brazilian respondent devotes nearly 30 percent of his or her budget to external IR support, compared with a global average of 20 percent. Canadian, continental European and Asia-Pacific respondents outsource the least. Not only do Brazilian firms outsource a sizable proportion of their budget, but they also have relatively large IR teams (see page 5).

Chart 6 shows that for the largest budgets, there is no correlation between the size of an IR budget and the percentage spent on external IR support. The answers given vary widely. Less surprising is the fact that the companies with the highest budgets have a larger-than-average IR team headcount: average headcounts are highest in continental Europe and Brazil at 4.2 and 5, respectively. The UK and Canada have the smallest average team sizes at 2.5 and 2, respectively.

# The ideal team size

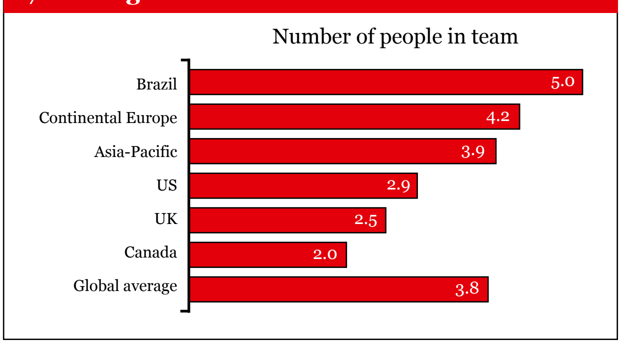
### Department size

IROs are expected to conduct hundreds of meetings every year, but how many people do you need in a team to do that effectively? The answer obviously depends on the scope of your company's IR program and how much budget you have for outsourcing. Some IR departments conduct their own competitive intelligence and analysis, and some even organize their own roadshows.

Issuers in developed equity markets such as those in North America and the UK tend to have slightly smaller-than-average IR teams. The exception in the established markets is companies in continental Europe, where the average team size is 4.2. This significantly larger headcount could go some way to explaining the superior performance of continental European companies at the IR Magazine Europe Awards, compared with their UK peers. What is less certain is why UK companies choose to employ fewer IROs than their continental European rivals.

One suggestion why the UK is home to significantly smaller IR teams than continental Europe is the former's strong tradition of corporate broking. The argument goes that UK companies have been able to save money on IR services by relying on their brokers to do some of their work for them. The financial crisis has constrained the services offered by UK corporate brokers, however, and now UK companies are facing a new reality where they are serviced less by brokers. At the same time, corporate access has become a higher priority for investment banks around the world, as commissions earned from research dwindle. The result is a more level playing field for companies, with fewer inherent advantages for UK corporates.

**7. Average team size**

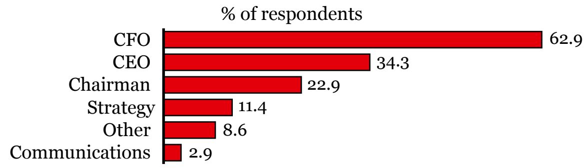



When arranged to view the modal average, the results reveal that two-person IR teams are the most popular, the mean averages are distorted by some large outliers, and the largest recorded IR department comprises 18 individuals.

# Reporting structure

### 8. Asia-Pacific reporting lines

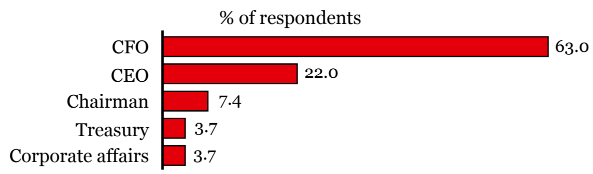
**Who does the most senior IRO in your department report to?**




Note: Figures may not add to 100 percent as some respondents report to more than one manager.

### 9. US reporting lines

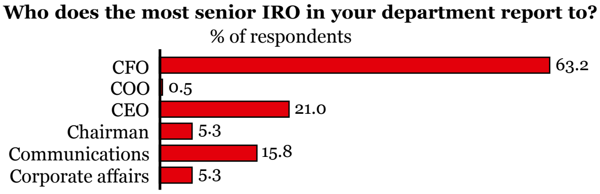
**Who does the most senior IRO in your department report to?**




Note: Figures may not add to 100 percent as some respondents report to more than one manager.

### 10. UK reporting lines

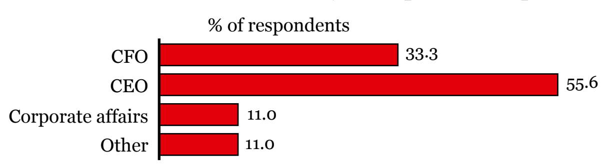
**Who does the most senior IRO in your department report to?**




Note: Figures may not add to 100 percent as some respondents report to more than one manager.

### 11. Canada reporting lines

**Who does the most senior IRO in your department report to?**




Note: Figures may not add to 100 percent as some respondents report to more than one manager.

## Reporting structures

Twenty years ago the discourse in the then nascent IR profession was focused on securing a seat at the table. Yet board representation remains relatively rare, even for leading IR professionals. That is not to say that the board doesn't listen to IR: it does. It is often said by individuals whose companies win IR Magazine Awards that they owe much of their success to their senior management's enlightened approach to, and significant support for, investor relations.

This anecdotal evidence suggests reporting lines can affect the ability of IROs to do their job properly. Having a direct line to, or working closely with, the CFO and/or CEO can ensure investor relations practitioners are better informed, which is clearly helpful when they talk to investors. It also means investors are less likely to be an additional drain on the company's management time.

Chief IRO-to-CFO may be the most common reporting line among the leading departments polled but it isn't necessarily the most effective. The global average for our leading IROs shows that more than 60 percent of IR heads report to the CFO, 34 percent to the CEO and around 7 percent to the chairman. On a global average scale, fewer than 6 percent of those asked report to communications.

An IRO in Brazil is more likely to be reporting to the CEO than an IRO in any other market polled: more than 60 percent of those asked in Brazil report to the CEO.

The chances of an IRO reporting to the head of communications are highest for IROs in the UK, where nearly 16 percent have the communications head as their boss. Other reporting points for IROs include the board, company/corporate secretary, board director and vice president of financial planning and analysis.

Generally, formal reporting lines between IR and corporate communications are not particularly common yet. Informally, however, IR and communications are working more closely together than ever. Some respondents report that the rising importance of social media has moved IR even closer to PR as both seek to monitor activity on sites such as Twitter and Facebook.

Of the Canadian firms we spoke to, more than half say the head of IR reports to the CEO. This is second only to Brazil.

## Balancing IR with other responsibilities

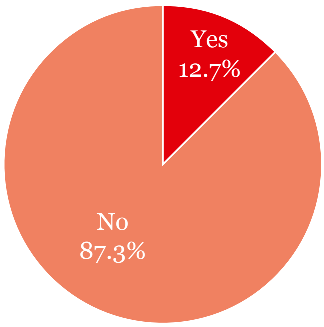
Most respondents in our survey are primarily focused on investor relations but some have a corporate governance and compliance element to their role. Some also have a sustainability element to their position, while other responsibilities include corporate affairs, auditing, strategic planning, ratings agency relations and treasury.

More than 90 percent of our respondents cite IR as their primary responsibility. When it comes to additional responsibilities, respondents are most likely to have marketing and communications as part of their role. Around 13 percent have some sort of compliance responsibilities, while around 15 percent have a role in finance that goes beyond the role of IR officer.

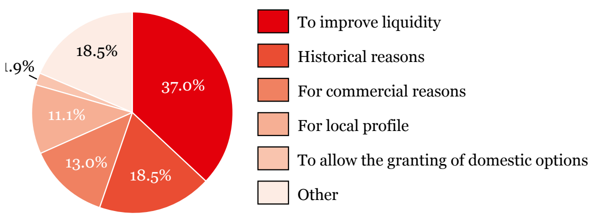
# *IROs in multiple locations*

**Non-domestic IR**

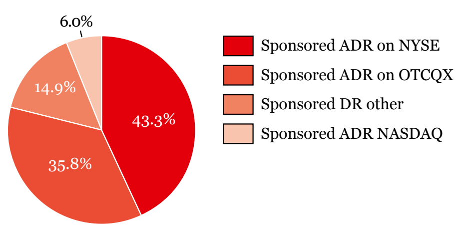
**Do you have another IR representative outside the country where you are headquartered?**




**Most popular reasons for additional listings**




**Popular DR options**




## IR offices in multiple locations

Do you need to have IR officers where your investors are? The answer seems to be 'perhaps', depending on where your investors are based.

The US companies we surveyed are overwhelmingly owned by US investors, making multiple IR offices less of a necessity. Canadian and Latin American companies have the smallest proportion of domestic ownership at 43.6 percent and 33.5 percent, respectively.

## Multiple listings

Extra listings don't come cheap and budgetary constraints and restricted liquidity have forced some issuers to rethink their presence on multiple stock exchanges. French insurer AXA, Deutsche Telekom and Daimler all withdrew their presence from the NYSE in 2010. Greece's Hellenic Telephone Corporation and UK-based broadcaster BSkyB also joined the exodus.

Our results reveal the most common reason for additional listings remains the bolstering of liquidity levels.

Just over 30 percent of our respondents have some kind of sponsored depositary receipt (DR) program. For those companies with sponsored DR programs, the NYSE and the OTC markets are the most common options, followed by NASDAQ.

Despite the trend toward de-listings, there are many reasons for maintaining multiple listings. As mentioned, improving liquidity is one of the most-cited justifications. There are also increasing signs that issuers in the Americas and Europe are interested in the opportunities afforded by a presence on an Asian exchange; Standard Chartered's Indian DR is a case in point. Brazilian mining giant Vale's recent HDR listing in Hong Kong may also pave the way for more issuers to list in Asia by means of DRs. The secondary listing costs via an HDR in Hong Kong are 25 percent of those for a primary listing, a factor that may make that option more attractive to other companies.

# Conclusion

### Conclusions

The dearth of quantifiable performance metrics in IR can make it hard to show a tangible impact on the bottom line. The difficulty of identifying a clear return on investment can make it hard to justify an increase in budget spend. This is particularly the case after the financial crisis when many companies were forced to slash their IR budgets.

Budgetary constraints and restricted liquidity have forced some issuers to rethink their presence on multiple stock exchanges. The obvious candidates for multiple listings are firms in Brazil, Russia, India and China (the BRIC countries). And if the current boom in commodities continues, companies in those sectors will increasingly be listing in multiple locations in order to capitalize on investor demand. At the same time, blue chips from Europe and North America will be viewing investor demand for their stock in Asia with interest.

## XbInsight

XbInsight is *IR magazine*'s research brand, building on the publication's established global research efforts. Since 1991, *IR magazine* has taken its renowned investor perception study around the world to markets as diverse as Brazil, China, Singapore, the Nordic region, South Africa, Canada, the UK and the US. In every market, the process is the same: each year thousands of buy-side analysts, sell-side analysts and portfolio managers are asked which companies have the best investor relations.

XbInsight is building on that expertise and launching a series of studies examining successful investor relations and the key drivers of investor sentiment.

**XbInsight also provides:**

- High-quality thought-leadership studies
- Benchmarking initiatives, including *IR magazine*'s online interactive benchmarking tool
- Global consolidated *IR magazine* research.

Specifically, the research division at XbInsight is looking to understand why some companies perform better than others in *IR magazine*'s investor perception studies. The first step in conducting this analysis is to gain a deeper understanding of the different IR practices at listed companies around the world.