Demand for investor relations growing

IR sector small but driven by maturing markets, desire for transparency

By MATTHEW PHAN

Investor relations is still a relegated function at many companies, but increasing competition in Singapore's capital market and greater demand for transparency mean the field could take off.

At least, that is what Mark Chong, assistant professor of corporate communications at Singapore Management University's Lee Kong Chian School of Business, thinks.

In a survey he conducted late last year, 10.6 per cent of the 54 respondents — each listed on the Singapore Exchange and with a market capitalisation of more than $75 million — foresaw IR playing a greater role in their organisation in the next three years.

As of May 19, there were 657 companies listed on the SGX and 346 of them had a market cap of greater than $75 million.

The intense competition in the local capital market, underpinning the rise in listings of foreign companies, means companies that need to better distinguish themselves from competitors can use IR to do so.

Furthermore, corporate scandals in Singapore and abroad have led to a demand for transparency, which is related to clearer communication and a better relationship with investors.

Still, corporate headhunter Karen Kwan says: "There is no current sharp demand for IR professionals."

But Mr Chong, director of the sales and marketing practice group at Briston, a global recruitment firm, adds: "The function is growing in importance and there will be future need."

According to her, senior IR professionals with more than five years' experience can earn over $200,000, while those with five to 10 years' experience might earn between $160,000 and $200,000. But fresh applicants earn less than in other professions like law and banking.

"A lot depends on the scope of the role — the level of sophistication at which IR is deployed in the firm, the internal reporting structure, and whether IR is a backroom function versus one being used more strategically," she adds.

If a company is looking for a financially trained professional, like an accountant, they can pay very competitive salaries, depending on the candidate's experience level.

Prof Chong's survey showed that 88.6 per cent of respondents performed IR, and the majority, or 72.7 per cent, of IR personnel reported directly to the CEO or CFO, with others reporting to directors of IR or corporate communications.

Still, only 42.4 per cent of respondents employed in-house IR staff, and it is not a standalone function at 61.4 per cent of the companies.

The communication function is still seen as a cost centre by many Singaporean companies, and IR is seen as a tactical rather than a strategic function, Prof Chong says.

What this means is that communication is often used to address an issue after it arises, and many professionals in the field are not kept in the know about a company's current strategy or business decisions. Yet if investors are confident that an IR officer is really the company's spokesperson, they will feel more secure dealing with him or her, Prof Chong believes.

Conversely, if the officer is left out of high-level decision making, investors will regard the person as another layer to bypass and will try to speak to the CEO, evading the department altogether.

Ideally, the IR officer will also provide feedback in management on the market's perception of the company, whether that be negative sentiment or can help management better understand what investors think drives the company's value, Prof Chong says.

According to his survey, only 6.4 per cent of respondents provided such strategic counsel. Otherwise, IR functions included preparing management for analyst briefings and conference calls, preparing annual and quarterly reports, and financial media relations work.

On the whole, "IR is not a well-established profession" and still "fairly nascent," says Ms Kwan.

Some 45.1 per cent of the IR officers in Prof Chong's survey have less than five years' experience, while 18.9 per cent have six to 10 years' experience. And 36.6 per cent have over 10 years' experience, but "it is likely those years include experience obtained in other functions," says Prof Chong.

Further, companies with market capitalisation of under $75 million do not need to submit quarterly reports and have less need for IR departments, he said.