The Value of Quality 'IR'

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A diverse range of people represent listed companies in a so-named 'Investor Relations' capacity. Sometimes the IR role is outsourced to a professional IR consulting company. Other times, and more frequently than is generally perceived and acknowledged, the IR role is but one aspect of an already busy operational executive.

I have learnt that IR people are, for the most part, an extremely valuable source of organisational knowledge, long-term corporate memory, and influence. Many of them are in their roles *far* longer than the average CEO, and an IR person that has been working inside a company for many years knows its history, people, and values far better than externally recruited and recently appointed executives and board members. More often than not they have made a highly principled decision to join that particular company and industry, which can itself offer valuable insight.

So, what is IR?

The key responsibility is clearly captured in its name – (1) relationships with (2) investors. But that says nothing about (1) the *types* of relationships or (2) the *types* of investors, leaving wide room for interpretation. Think about how different all of these participants in stock markets are:

- A hedge fund with a short position and a short time horizon;
- A day trader;
- An activist firm that recently bought a small stake in the company and is writing critical open letters to the general public demanding a board seat and influence on selecting board members and company strategy;
- An individual shareholder that owns a tiny number of shares and demands facetime with executives or to ask questions at the AGM;

- An investment firm that has owned a significant stake in or exposure to the company for many years;
- A bank or brokerage that acquired large blocks of shares anonymously to facilitate an opportunistic buyout and delisting event;
- A family or corporate entity that has owned a controlling stake in the company for decades;
- A hostile industry competitor, supplier, or customer that owns a large enough stake to have negative control;
- A sell side research analyst covering the company;
- A financial media journalist reporting on the company;
- Financial market regulators, such as the JSE and FSCA in South Africa.

A quality IR professional needs to deeply understand and manage *all* of these different types of market participants and their known and hidden agendas and incentives, as they are all bundled into the same 'investors' bucket. Each of these in turn require different types of relationships.

IR also provides a two-way information bridge between investors and company executives. It is easy to imagine how quickly vital information in either direction could be inadvertently or deliberately altered or entirely lost in translation. It is a huge responsibility with significant impact potential – both positive and negative. The unique individual personality type and communication style of each IR person also plays its part, as well as their country of origin and language.

Listed companies get the owners they deserve, over time. These long-term outcomes are heavily influenced by the actions and communication of key company representatives, in which IR plays a critical part.

Our work continues...

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