

# Investor Relations

## Stepping Stone or Dead End?



Jörg Janke, February 6, 2015

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**EgonZehnder**

# Is there a future career after Investor Relations?



# Is there a future career after Investor Relations?

## Pros

- Standing of IR has increased over the last 15 years
- Trusted advisor for CEO and CFO
- Developing financial talent through exposure to shareholders, strategy and senior executives
- Scope of IR is broadening from equity investors to other stakeholders (debt holders, rating agencies, regulators, etc.)



## Cons

- No obvious next career step
- Only few success stories have reached C-level
- Long tenure in IR
- Limited experience with management responsibility



## Section 1

# IR Job Description – Status Quo



# Typical IR Competencies

## **Excellent collaboration and influencing skills**

- a proven successful experience and track record in giving strategic advice to different internal stakeholders
- excellent interpersonal skills and a distinctive collaborative behaviour

## **Strong communication skills**

- self-confidence and an engaging personal style
- highly articulate; ability to articulate the firm's strategy

## **Exceptional relationship-building skills**

- creativity, patience and persistence in identifying and pursuing new relationships
- ability to earn trust and confidence

## **Strategic Orientation**

- can think strategically, using analytical skills and ability to develop proactive plans
- has a track record of identifying opportunities for growth

## **Result Orientation**

- will have a strong desire to meet and exceed goals, even under adverse circumstances
- is energized by creating more efficient ways of doing things

## **Knowledge of the relevant sector and functional knowledge**

- understanding of sector trends, competitive landscape and types of investment strategies
- strong analytical skills

# Responsibilities as Head of Investor Relations



Institutional Equity &  
Bond Investors



Retail Investors



Annual Shareholder Meeting



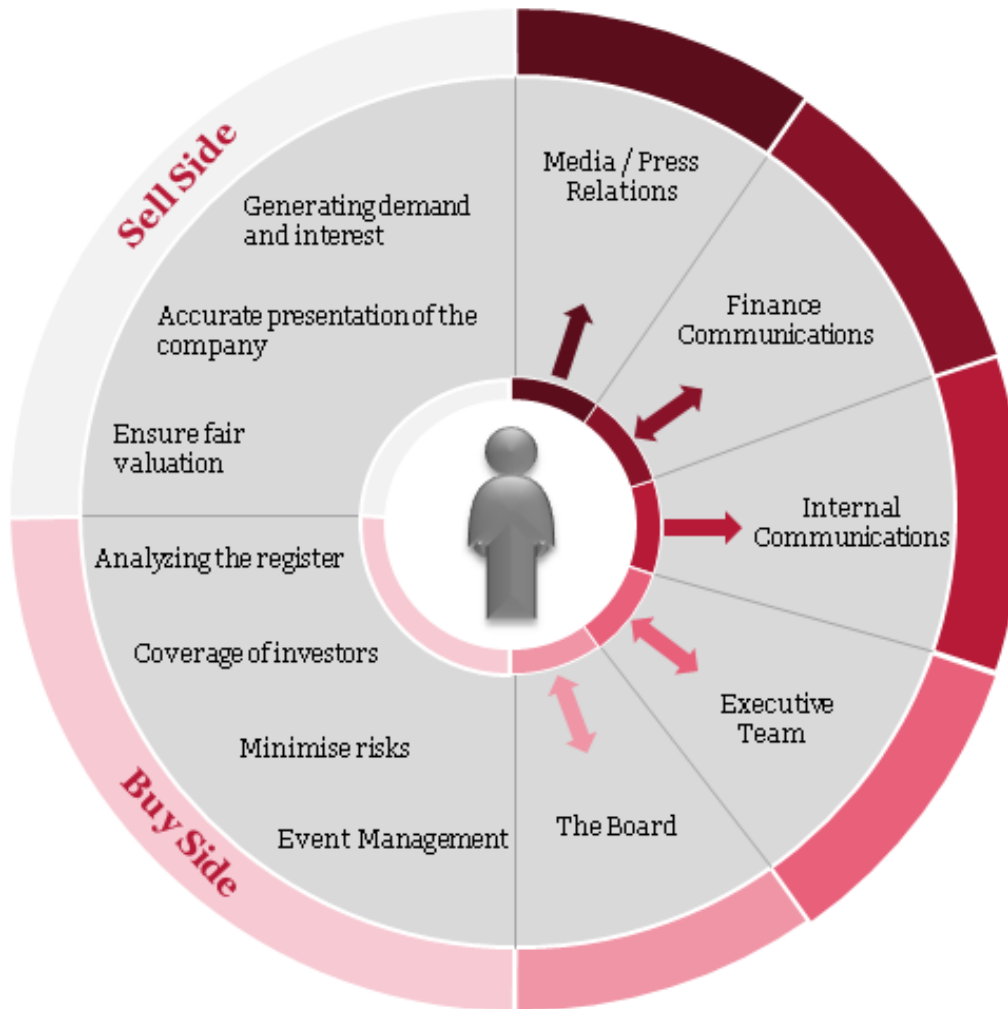
Annual Report



Rating Agencies

- The scope of IR departments has become broader over the last years
- Most DAX-IR departments are also responsible for Bond and Retail Investors
- Typically joint responsibility for rating agencies, annual shareholders' meeting and annual report

# Development of IR role



- IR has professionalized as a function over the last years
- Key focus remains on analysts and investors but other internal and external stakeholder become more important
- Functional „mergers“ with communications, M&A or Corporate Finance departments did not prevail

=> „Functional Silo?“

## Section 2

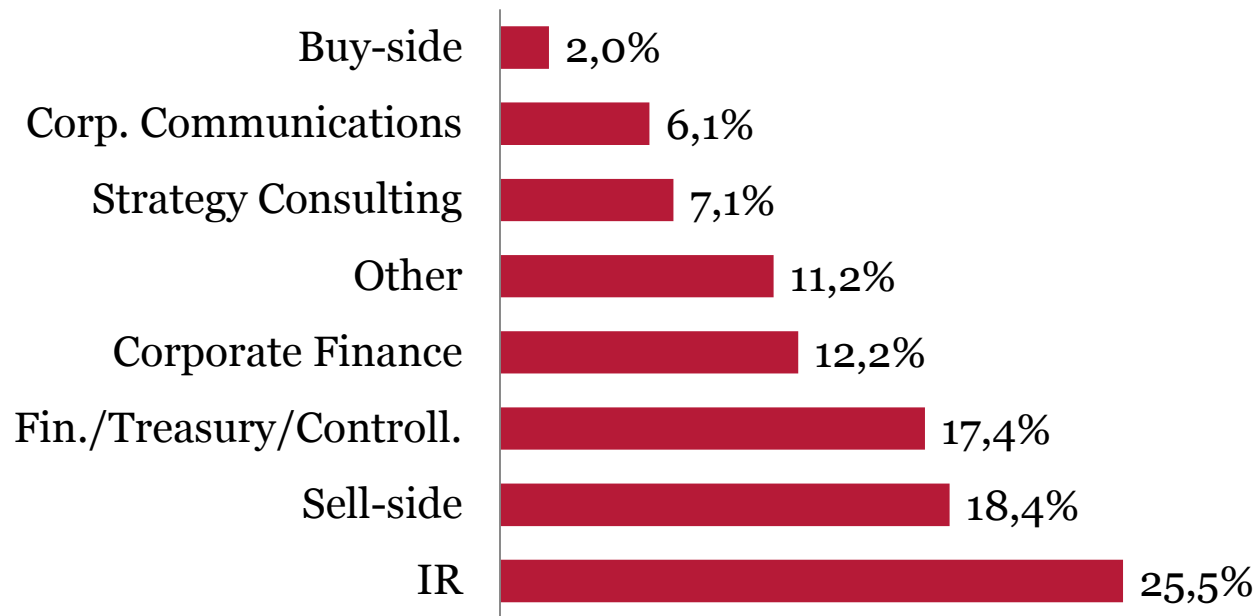
# Empirical Survey – job moves of IR professionals





# Career Background of current IR Heads

## Initial Career Background

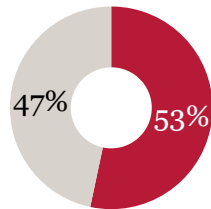


- 25,5% of current IR Heads have an initial career background in IR
- Other major pools are Research, Finance/Treasury/Controlling and Corporate Finance

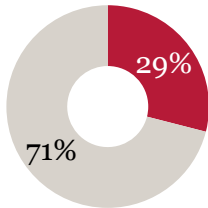
# Move to head of IR position – internally or externally?



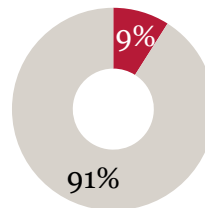
## Dax



## MDax



## TecDax

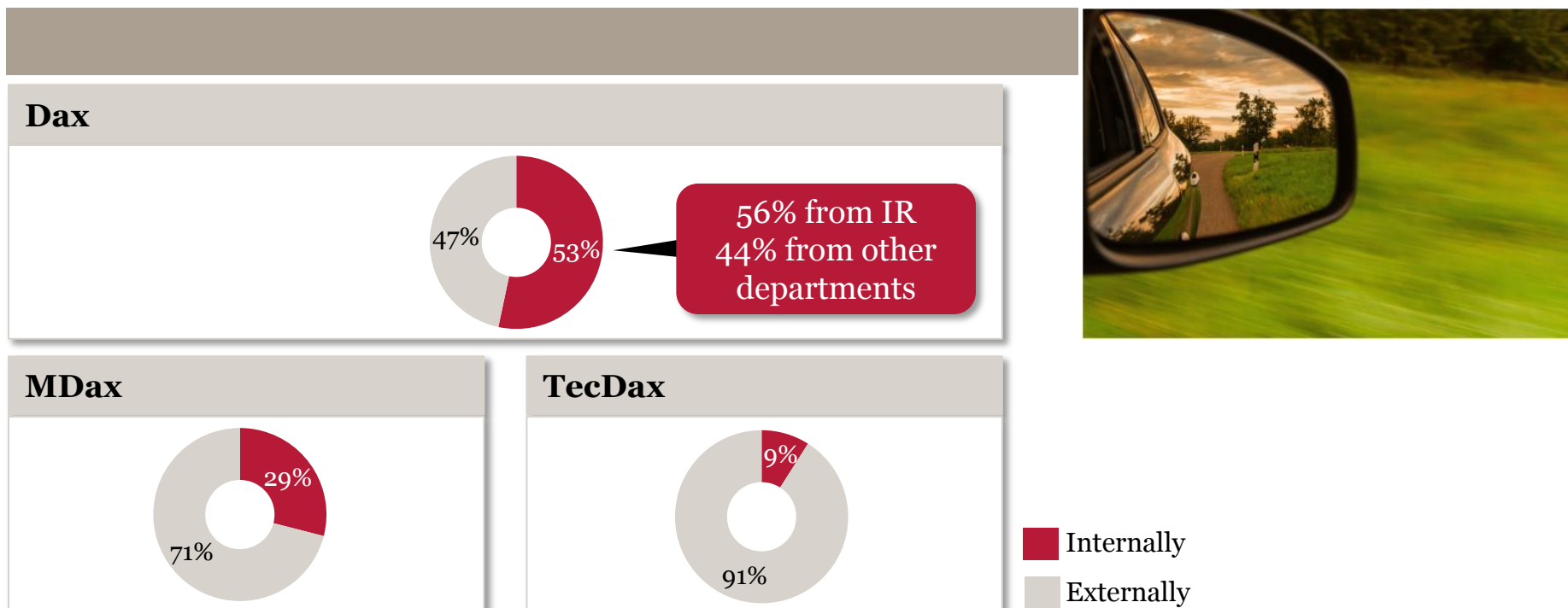


■ Internally  
■ Externally

- Only 53% of current DAX IR Heads are internal promotes
- At MDAX and TecDAX companies current IR Heads typically are external hires

analysis is based on current DAX, MDAX and TecDAX IR Heads (in total 98)

# Move to head of IR position – internally or externally?

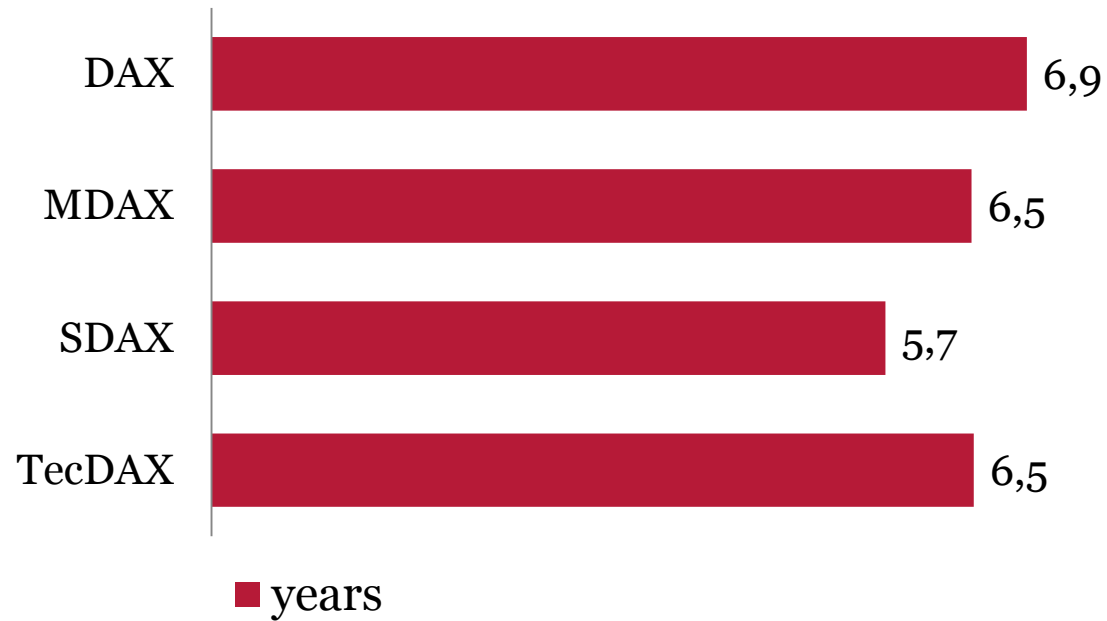


- Only 53% of current DAX IR Heads are internal promotes
  - thereof 56% from within IR and 44% from other departments
- At MDAX and TecDAX companies current IR Heads typically are external hires

analysis is based on current DAX, MDAX and TecDAX IR Heads (in total 98)

# Tenure of current IR Heads

## Overview



- Average tenure of current IR Heads is about 6 years

# Comparison – Tenure of DAX IR Professionals

## Overview



■ years

- In comparison team members of current DAX IR Heads have been active for 5,7 years

# Comparison – Tenure of former DAX IR Heads

## Overview



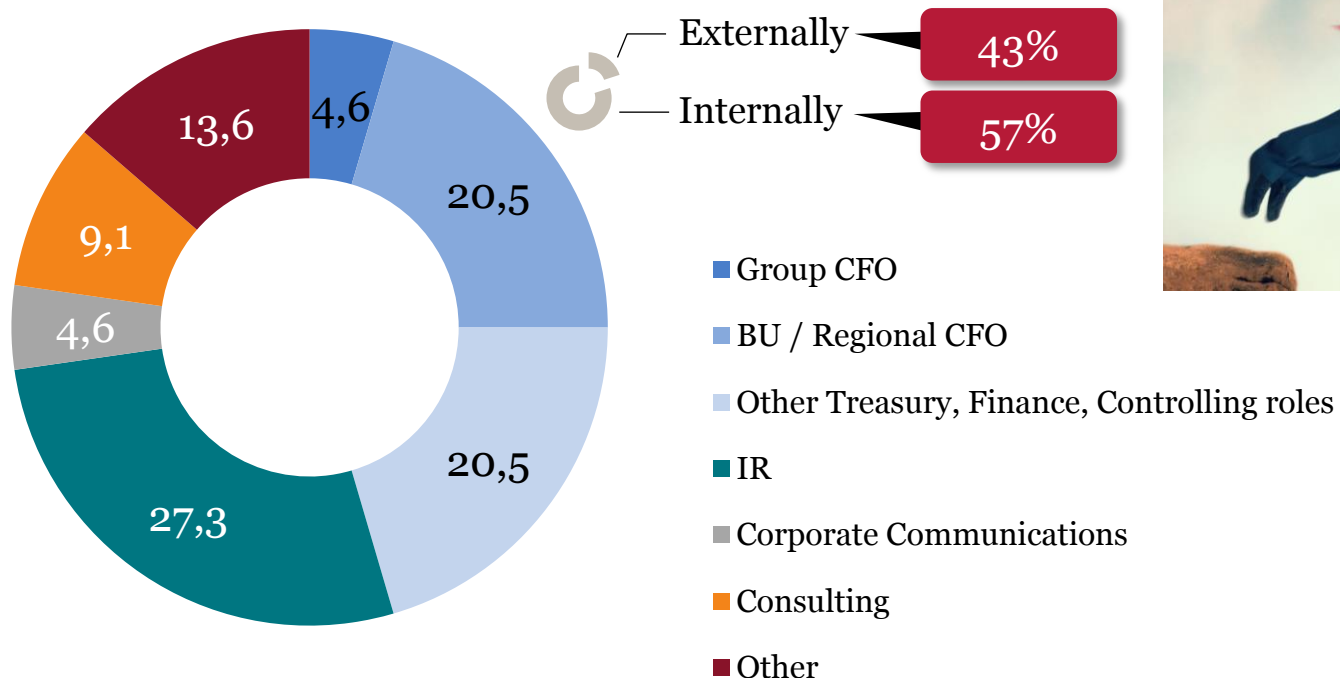
■ years



- Length of tenure has grown over the last years, averaging only at 4,7 years with former DAX IR Heads

# Role following on Head of IR position

Overview (in %)



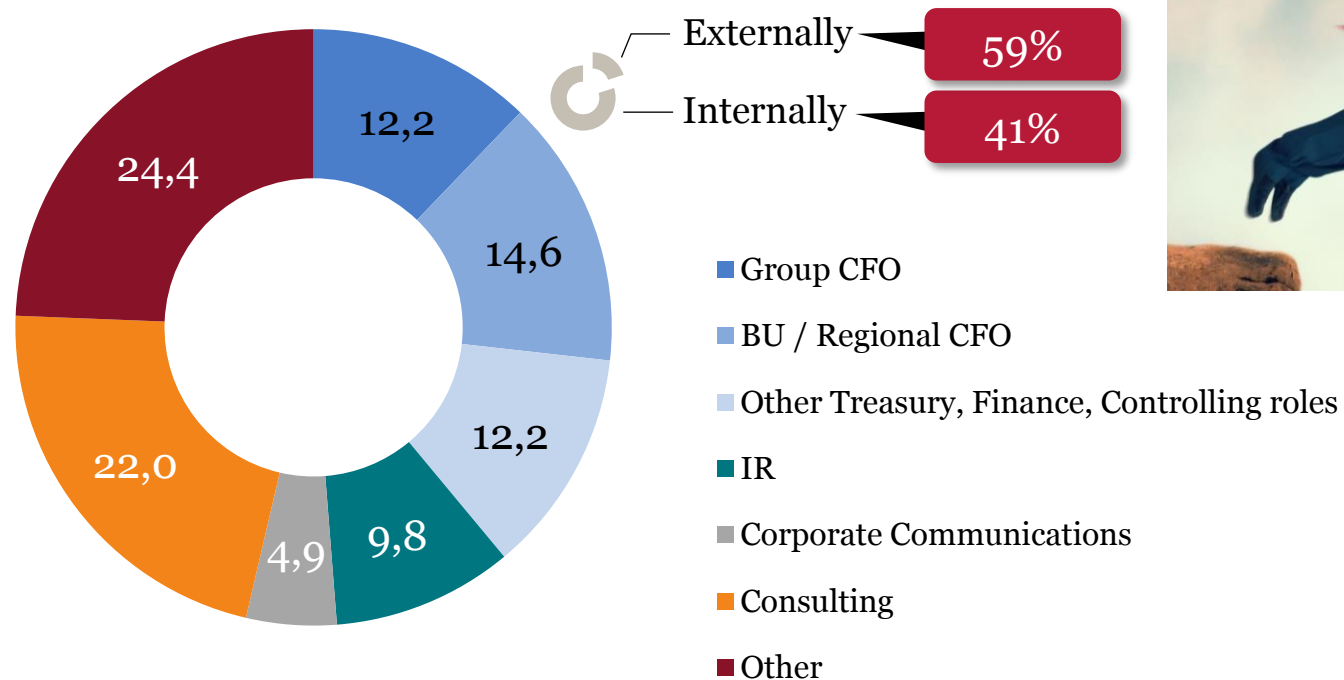
- 43% of former DAX IR Heads took a next job externally
- 27% moved laterally into another Head of IR role at another firm
- 46% moved into other CFO area roles

analysis is based on former DAX IR Heads (in total 44)

„Other“ consists of Asset Management role, role in Strategy, MDs and COOs

# Long-term career after Head of IR role

Overview (in %)



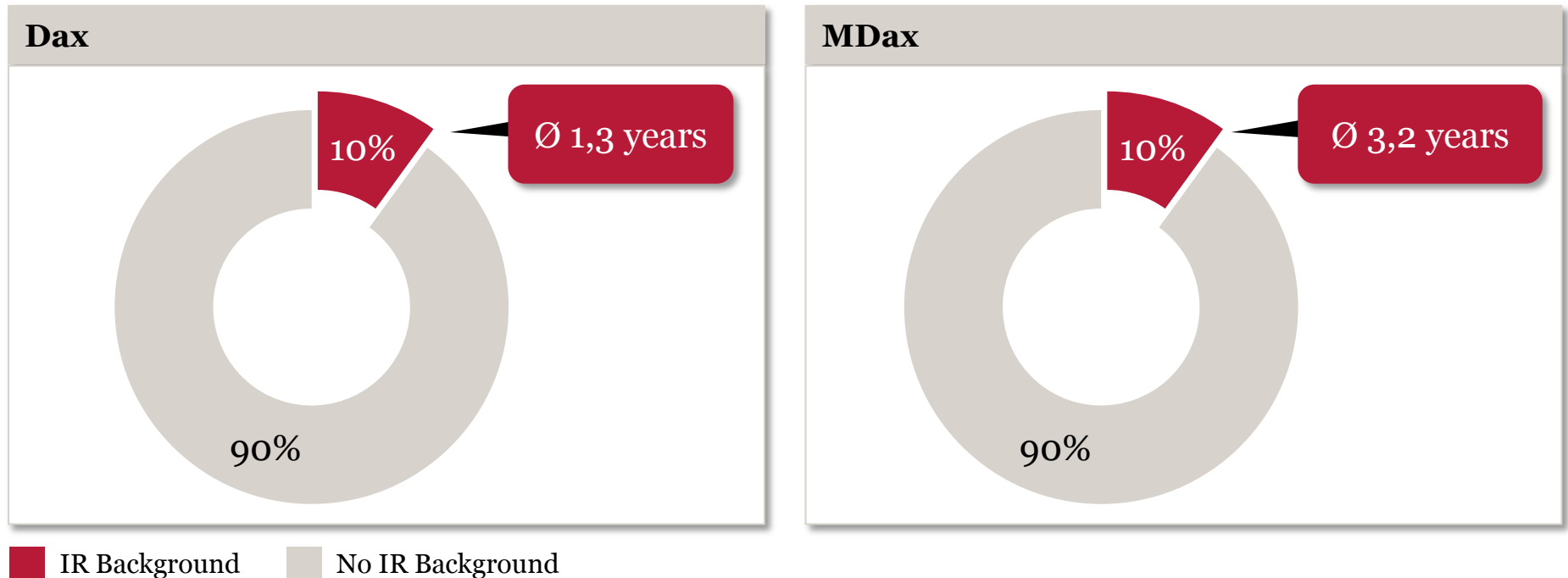
- 37% stayed in IR / Consulting / Communications
- Almost 40% moved into other CFO area roles but only 12% made it to the top

analysis is based on former DAX IR Heads (in total 41)

„Other“ consists of Asset Management role, Lawyer, Lecturer, Founder, MDs and COOs



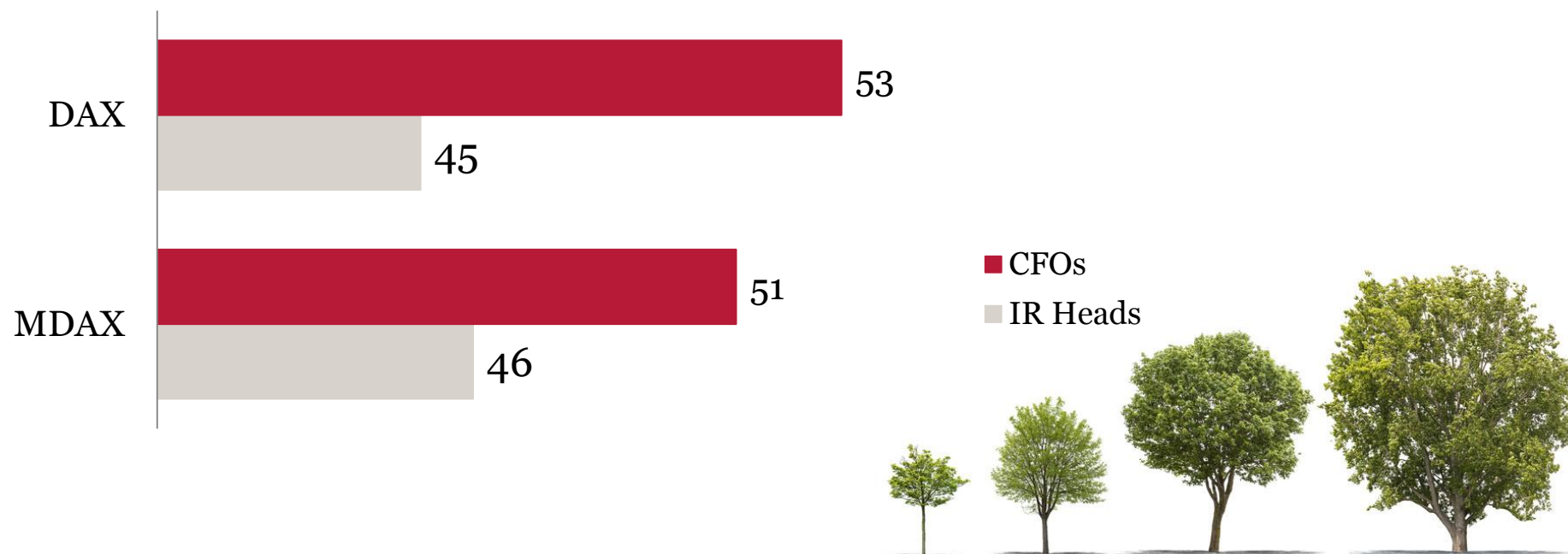
# How many DAX / MDAX CFOs previously worked in IR?



- Only 10% of current DAX and MDAX CFOs had an Investor Relations background in their professional career
- Average length of tenure was only 1,3 (DAX) and 3,2 (MDAX) years

# How old are DAX / MDAX CFOs compared to IR Heads?

Comparison (in years)



- IR Heads are typically 5 to 8 years younger than CFOs

analysis is based on current DAX and MDAX IR Heads (in total 60) and compared to current DAX and MDAX CFOs (in total 80)

# Conclusion

- Only 26% of IR Heads initially started their career in IR – but 37% stay in IR / Communications / Consulting long-term
- Almost 40% eventually move into other CFO division positions but only 12% make it to the top
- A significant number of IR Heads was hired externally
- Tenure of DAX IR Heads has grown from 4 years to 7 years
- Group CFOs with IR stints only spent 1 (DAX) to 3 (MDAX) years in IR departments

### Section 3

The next career step –  
what does it take?



# Typical Key Competencies

Key Competencies	Head of IR	CFO
Influencing and communication skills	✓	✓
Strategic orientation	✓	✓
Results orientation	✓	✓
Market knowledge	✓	✓
Functional knowledge in financial analysis	✓	✓
Functional knowledge in Controlling, Accounting, Treasury, Tax, Audit and M&A		✓
Change Management		✓
Team Leadership	(✓)	✓

- Significant overlap in major competencies
- In addition to functional knowledge, the road to CFO requires Management Competence

# Career Development to CFO

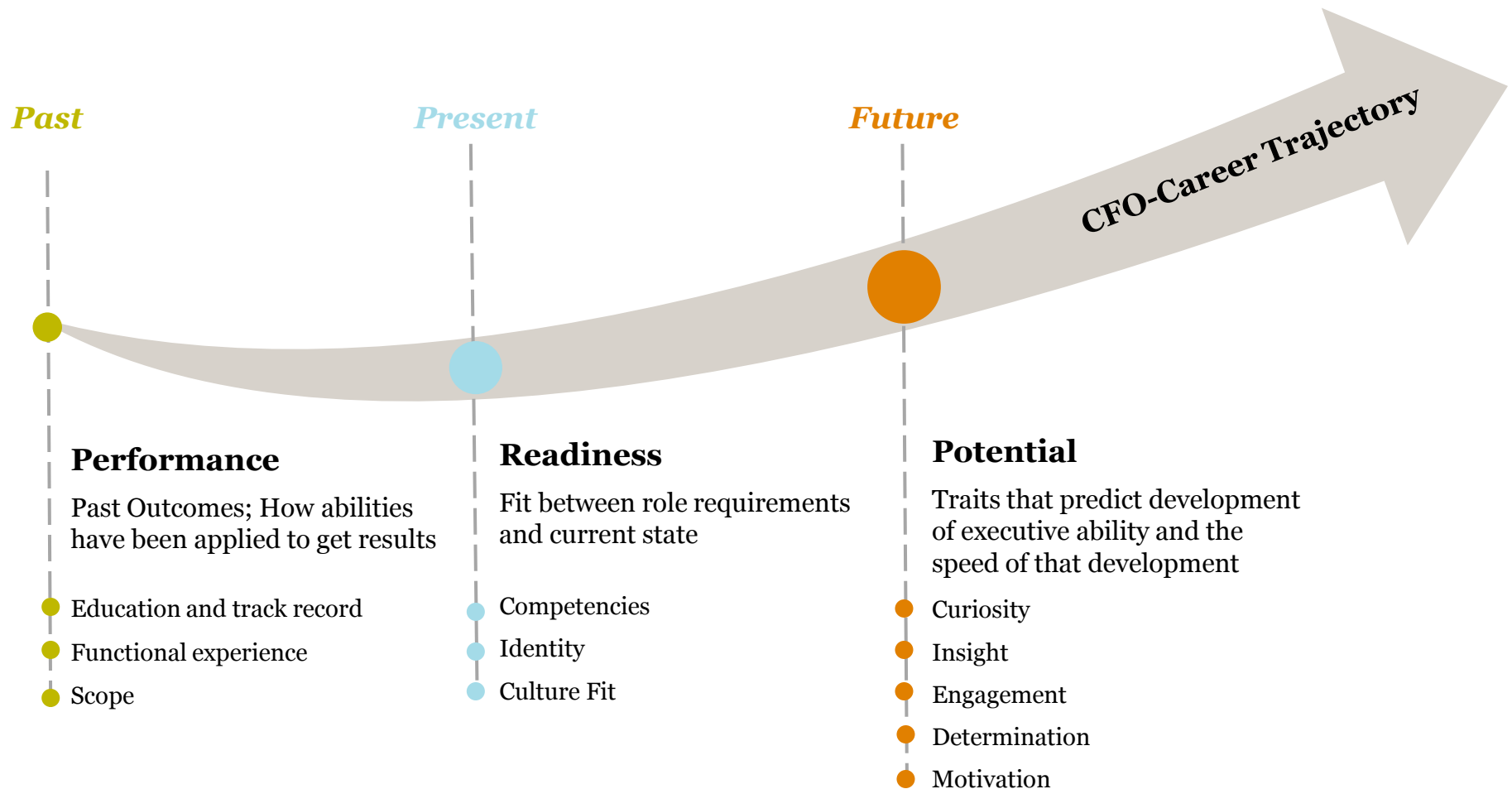
- A long-term individual development plan is needed
- Regional CFO, Business Unit CFO and Controlling positions are typical breeding ground for future CFOs
- Job rotation, positions abroad and a role in internal audit help to understand the organization

=> But how do I predict potential?

Our model of assessing professionals focuses on three areas

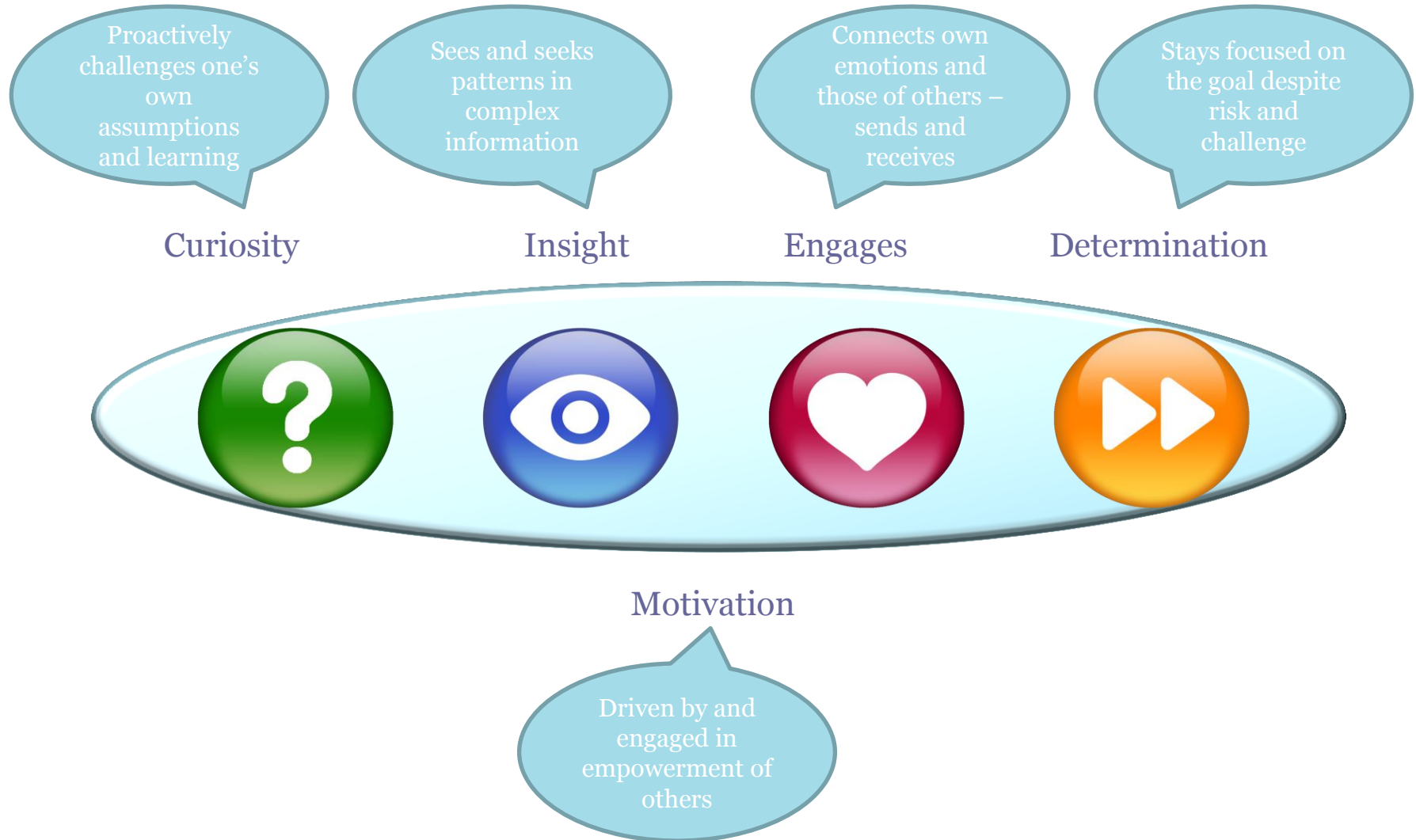


# Performance, readiness & potential determine career trajectory



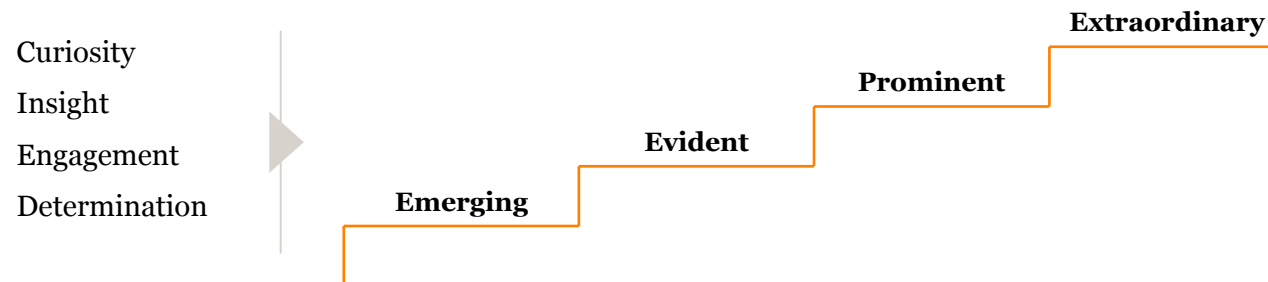


# What do IR professionals need to perform a successful long-term career in finance?



# The elements of potential can be assessed comprehensively

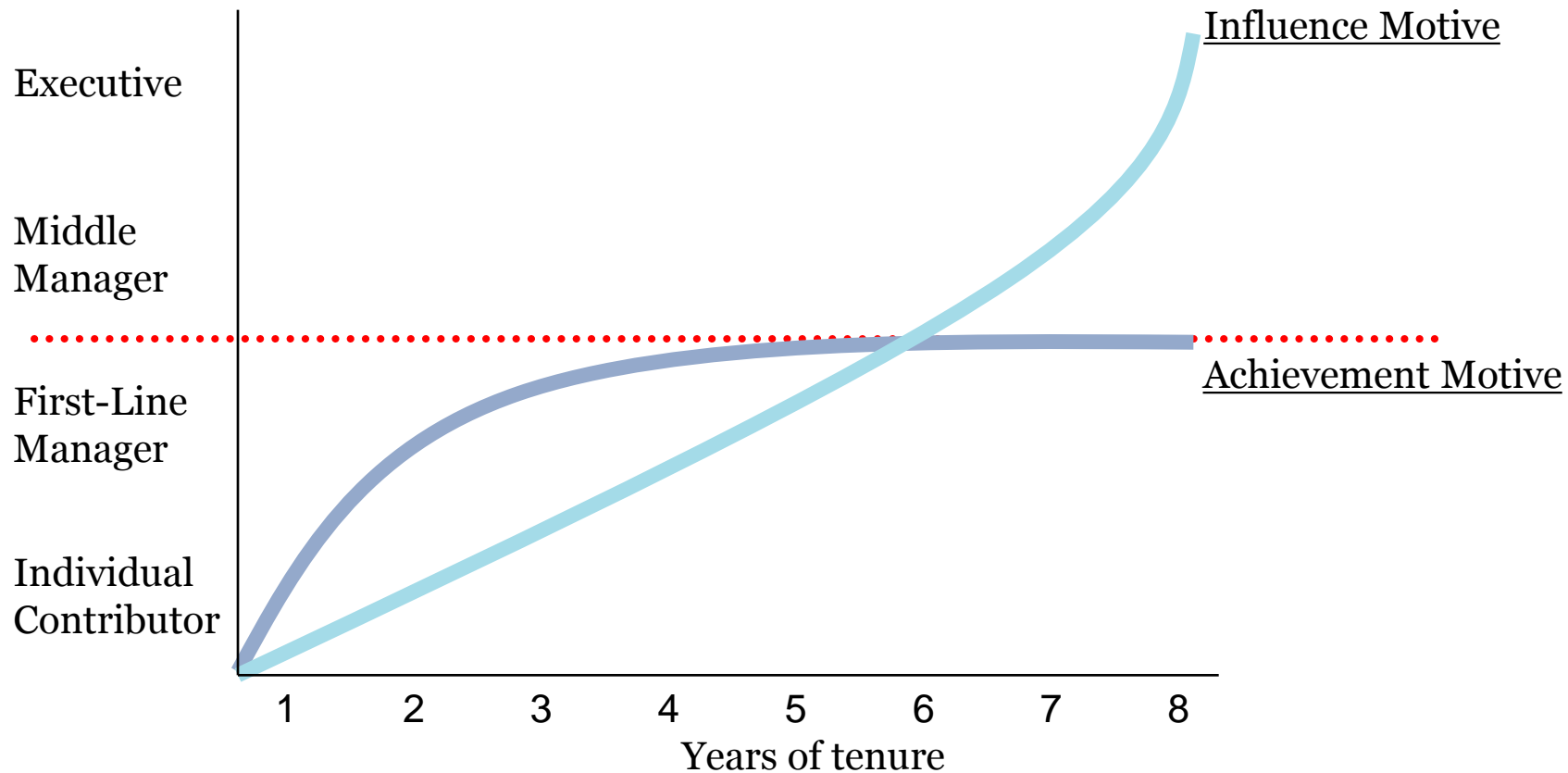
Element	Description
<b>Curiosity</b>	Individuals demonstrating curiosity will proactively seek new experiences, ideas and knowledge.
<b>Insight</b>	Demonstrating this trait involves gathering and making sense of a vast range of information.
<b>Engagement</b>	Individuals high on engagement will know how to connect on an emotional and logical level with others, not just one-on-one.
<b>Determination</b>	The courage and willingness to take intelligent risks, to persist in the face of difficulties and the ability to bounce back from major set-backs.



# The motivational triggers influence the CFO-Potential and lead to different career paths

- **Achievement motive** (efficiency and innovation): energized by meeting and beating goals, personally improving the way things are done, doing and learning new things
- **Influence motive** (impact, influence, change people): energized by having an impact or influence on individuals, groups, or the world at large
- **Affiliation motive** (belonging, wanting friendship): energized by getting along with people, belonging to a group, personal relationships, engaging socially

# The motivational triggers affect professional success depending on the respective career stage



Source: Egon Zehnder International, based on McClelland & Burnham (1972) and Jacobs (1992).

# Benefits of this model for the assessment of CFO potential

- Potential and trajectory can be identified early on in one's career
- The outcome gives an overview of individual potential and is the basis for individual development planning
- Our approach helps to focus investment in people development on the most promising talents in your organization

## Section 4

# Typical Pitfalls



# Typical Pitfalls

- Career planning needs to be proactive and periodically reviewed
- Find out about your true motivational drivers
- Don't stay in your comfort zone for too long
- Don't take on excessive risk – a next position needs to work out

# Outlook

