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IR and PR Don't Mix Easily

Consolidation of Communications Eludes Most Companies

At 71%, the majority of companies' communications functions have not consolidated IR and PR, despite the higher risk of inadvertent selective disclosure due to uncoordinated marketing efforts, a new survey found.

That leaves just under one-third of companies that have combined their outreach programs. Some 13% have gone the whole hog, with PR and marketing both reporting to that company's head of IR. Likewise, IR supervises the PR function at 16% of companies, according to the joint *IRB*/**Business Wire** survey, which was conducted by **Clientize.com**.

Conversely, one third of respondents "completely agree" with the statement that their company has successfully consolidated IR with other communications functions, while a further 28% said their companies were getting there. However, some 31% said their companies had done nothing to consolidate communications, while a further 7% said their companies hadn't done enough.

Comments made by the survey's respondents indicate that consolidation of communications is not a black-and-white issue.

"[It's] absolutely imperative [that the two be combined]," wrote one IRO, "although responsibilities have to be delineated."

Some of the comments convey an almost fractious relationship between IR and PR.

"As the perception surrounding IR's function continues to grow in importance, I can see both marketing and PR falling under IR. As it is now, the functions are still separate and combative," another IRO said.

The key issues for many respondents are avoiding violating the **Securities and Exchange Commission**'s selective disclosure rule, Regulation FD, and ensuring the consistency of their company's message. If the departments are combined, or at least if PR reports to IR, it makes it easier to craft a single—and therefore more credible—message.

"When the functions are separate and report to different individuals, it seems there are more turf wars. The focus is more on who gets to do what rather than on message consistency. In the long run, the company suffers a credibility gap with its key audiences," a respondent said.

It appears that most companies are headed toward consolidating communications, for several reasons—not least, cost efficiency, another added.

Better Off as Friends?

But an IRO at one company where all communications functions have been combined complained that everyone involved was probably better off before the change.

"The thought was that [consolidation] would allow greater cross-information and better service to our constituents. This has occurred to some extent, but sometimes it seems that our efforts would be better served if we had maintained our structure under the financial division," the respondent said.

Where IR and PR are kept separate by reporting structures, it behooves both groups to take the initiative to work together voluntarily. That way, although one doesn't control the other, a positive working relationship can be developed, a respondent advised.

"While the PR and IR functions are separate in my organization, the VP of PR and I work very closely together on both proactive and reactive communications, including press releases, financial press strategy and message positioning," the IRO said.

"As it is now, the functions are still separate and combative."

Some 40% of IROs have at least tertiary input on product or service launches, once the mainstay of the marketing department alone, but 37% said they have no input at all on product launches and a further fifth only have minimal influence in this area.

Reassuringly, though, three-quarters of respondents were at least reasonably comfortable that all communications departments within their companies had a thorough understanding of Reg. FD.

But that leaves 16% who were not comfortable with their communications colleagues' knowledge of the rule, and 10% who didn't think they understood it at all, indicating a need for an improvement in this area.

Two-Class System

Most IROs tend to think that the analyst and media communities hold them in higher regard then they do PR executives. Only 12% disagreed, leaving 10% of respondents sitting squarely on the fence.

But one PR officer who handles press releases said that IROs should give PR staff more credit than they currently do. After all, most press releases are for investors'—not customers'—consumption.

"My press releases ... are always created with investors in mind. I know that the releases will be seen by investors and not necessarily seen by clients. Most calls I receive relating to press announcements are from investors. So, I think the PR person definitely wears an IR hat," the repondent said.

Over half of IROs said they didn't think individual investors really knew the difference between the two disciplines, and only 9% were sure individuals could distinguish between IR and PR. Just under one-third expressed moderate faith in the retail crowd's IR savvy.

Nearly all IROs said the amount of media attention corporate reporting issues have received over the last 18 months has increased. The net result for IROs has been good—some 83% of respondents said that senior executives at their companies attached more importance to their roles as a result of widening coverage of IR issues.

This is showing up in the IR budgets of many companies, although the majority, 38%, expected no change this year. Over one fifth said their companies were upping IR budgets by up to 14%; 7% reported a likely budget hike of up to 25%; and 3% expect even more than that.

Of course, it isn't all good news. Many companies are slashing IR budgets in an effort to cut costs—14% of IR budgets by up to 14%; 7% of budgets by up to 25%; and 3% of respondents anticipating even greater cuts.

Tight Ship

IR departments themselves remain small. Some 43% of respondents said they were the sole IRO at their company, and 47% said their IR departments consisted of two to four people. Only a small minority, 6%, said they their company had five or more IR staff.

Meanwhile, 4% of respondents said the IR role was either a shared position, it was handled by the CFO or another officer on an ad hoc basis, or it was farmed out to an IR consultant. However, at three-quarters, the majority of companies handle the function entirely in-house, while the remainder relies on some outside help.

Most IROs report to a senior member of their company's executive team. Some 56% of IROs report directly to their company's CFO, and almost a quarter report directly to the CEO. Of the remainder, 7% report to the head of corporate communications, 3% report to the COO and 2% report to the head of marketing.

The survey, which ran from Jan. 20 to Feb. 11, polled a total of 259 respondents on the changing role of IR within their companies, among other things.

Almost one fifth of companies' reported market caps were $99 million or less; 24% put their market cap between $100 million and $499 million; 16% up to $1 billion; 25% up to $5 billion; and 12% said their market cap was more than $5 billion.

For more information, see www.tfimg.com/IRB