Yes, Investor Relations can and should be measured, and the payoff of a strategic Investor Relations program demonstrated.

As discussed in Chapter 1, an Investor Relations strategy requires investment and translates into a series of realistic objectives, in line with a company’s budget, philosophy, and environment. These will, in turn, become as many performance indicators. The actual performance of the Investor Relations strategy will then be measurable against these objectives. While not an exact science—many factors affect the share price of course—performance evaluation can indeed be applied to Investor Relations, providing:

- Investor Relations is considered more like a profit center, not a cost center concentrating on administrative on compliance tasks;
- as such, its contributions to the company’s strategy and valuation can be demonstrated (and even incentivized).

In order to try and meet this challenge, it is necessary to have developed the appropriate performance evaluation framework, one that tracks strategic metrics, not simply the number of meetings, conferences, or press releases.

Yet there certainly are as many measurements as there are Investor Relations programs, confirming that no single standard applies across the profession. Furthermore, the growing importance of intangibles like brand strength, or quality of management in the valuation of companies further increases the difficulty in coming up with a clear and accurate measurement technique. In addition, it is an iterative process, one that needs to be ongoing and integrated into the Investor Relations program.

The following key questions however apply to every company and transcend boundaries:
Measuring the Value of Investor Relations

- What will make investors invest?
- What is the right level of investment, measured both in cash expenditure and in valuable senior management time, to achieve the highest sustainable valuation?

It makes sense to go by the following principles and ask yourself some simple questions, when developing an IR measurement framework:

- Measure what you can control;
- Why do you measure? Why not?
- To what extent is IR effectively supporting the company’s strategy?
- Is your shareholder base supportive through crisis?

There should be different measures for different reasons, and the size of the company will also matter in the measurement.

4.1 Quantitative Factors

Calculating returns on investment in Investor Relations involves the analysis of five categories of quantitative measurements.

4.1.1 Stock-Market Criteria

The main examples are as follows:

- Share prices are largely outside the IRO’s control and should definitely not be the one and only measure of Investor Relations;
- Valuation multiples, both in absolute terms and in relation to one or more indices, and a sample of comparable companies;
- Trading volumes;
- Low share price volatility is a good measure of effective Investor Relations;
- Inclusion in one or more indices, including sustainable development and corporate governance indices;
- Evolution of ratings, such as credit, sustainable development, and corporate governance.

4.1.2 Equity Research on the Company

IROs should monitor developments in the following areas:

- Number and geographic origin of sell-side analysts;
- The consensus of earnings estimates;