Volume 13 Issue 22
Originally issued as D4



Global Journal of Management and Business Research
Accounting and Auditing
Volume 13 Issue 4 Version 1.0 Year 2013
Type: Double Blind Peer Reviewed International Research Journal
Publisher: Global Journals Inc. (USA)
Online ISSN: 2249-4588 & Print ISSN: 0975-5853

Investor Relations on the Western Balkan's Stock Market: A Comparative Study

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GJMBR-D Classification : *Code: G32, M41*



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I. Introduction

Investor relations and communications with the financial public refer to different forms of communication methods and tools which a company uses when building relations with those who provide means for its growth and development. This makes existing and potential investors the prime financial public, but one should not overlook the importance of others involved, those that have substantial influence on investors' perspectives and opinions. In relations with the financial public, besides professional, well-informed investors the targeted public is also individuals who, as a rule, are neither professional investor nor are equipped with comprehensive information or broad financial knowledge. Good and active investor relations help a company to provide a fair price for its stocks, and also provide access to extra capital when needed.

Providing information about business results is the most significant opportunity for communicating with investors. Achieved results provide proof that a company is capable of reaching its goals and the market's expectations. Published results must be detailed enough for analysts and investors to reliably evaluate the company's value. This does not necessarily mean that financial reports are always the most efficient means of communication. It often happens that numbers and accountancy rules suppress transmission of all the necessary information. Management, for example, is often unrealistic regarding the company's future, since their role is to 'sell' the company to new employees, buyers, distributors, and investors. The forecast of future results also demands evaluation of one's ability to run a company, which can lead to overoptimistic grades from the analysts' perspective. Therefore, management must regularly analyze a company's business and compare their forecasts with the ones made by analysts.

The developments in the last decades of e-business, global capital markets, and information technology, have influenced the economic system to become more digital. The purpose of financial reporting has also changed in recent years to become more user-oriented. As they have become better informed, the users of financial reporting, stakeholders such as investors, creditors, clients, suppliers, and analysts, require more and more accounting information from companies.

This study investigates investor relations development and communication methods of companies listed on the Belgrade Stock Exchange (BELEX 15, BELEX LINE) and Zagreb Stock Exchange (CROBEX). For this purpose the websites of the 36 largest listed companies in the Republic of Serbia and Croatia were screened for investor relations items.

The objective of our study is to find out if Serbian and Croatian companies use Internet advantages to communicate with institutional and individual investors. Using the Internet for disclosing financial statements facilitates stakeholders' access to information and decreases the costs of printing and disseminating the hard copy of financial statements to interested investors. The question we try to answer is whether regional companies (Serbian and Croatian) have given more attention to online investor relations in improving their investor communications.

II. Defining IR

Modern 'investor relations' as a discipline was defined in the late 1970s. Different academics and practitioners of investor relations defined it in various ways. In general, 'investor relations' can be seen as a

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connection or link between companies and the investor community (Lake and Graham, 1990). Investor relations are an overall process by which a corporation communicates with the investor community, explaining the company's future challenges and opportunities, discussing present strategy and past performance, and developing a constituency of informed and interested investors) (Ellis, 1985). Conducted effectively, investor relations can have a positive effect on a company's total value relative to the overall market and a company's capital cost (Petersen and Martin, 1996).

According to the definition of the *American National Investor Relations Institute* (NIRI), relations with investors represent a complex strategic company activity, which is a product of finance, communication, marketing, and business law application, and aims to provide two-way communication between company, financial public, and other subjects, which leads to a fair price for the company's securities (NIRI, 2010; LSE, 2010). The difference between these two definitions implies the scope of the investor relations dynamic, and that new dimensions are being added to investor relation activities. Investor relation is nothing but a defensive or aggressive attempt to stimulate the company's value and share price (Ryder and Regester, 1989). Ultimately this is not true. 'Investor relations' are not only responsible for stimulating firm value and share price, but also are important in other striking ways. However, an investor relation is the financial end of the communications function, rather than the communications end of the financial function", meaning investor relations start with financial activities and finish when that financial information is communicated to its audience (Dolphin, 2003). Thus investor relations can be seen as a task of the company management in order to provide timely, accurate, useful, meaningful, understandable and complete information about the company's fundamentals, present and past situation, and future prospects to the investor community, which incorporates the disciplines of marketing, communication, accounting, and finance, and influences the value of the corporation. The impact of governments and the various institutional requirements (SEC, stock exchanges, etc.) also have a positive influence in providing timely, accurate, and meaningful information to the investor community by the companies. By practicing various activities, investor relationship departments communicate information to the investor community. The general investor relation activities are depicted in Table 1.

The purpose of investor relations is to make a proper connection or link between the company's management and the financial community (Miller, 1991). Basically, the investor relationship department of corporations deals and communicates with influential financial groups.

Table 1 : Investor relation activities

Conveying information about	Activities
Present business status	Explaining information about the business and environment Explaing recent development and decisions on the basis of company's long term planning and strategy
Forecasting future status	Highligting future prospects of the business rather than historical performance Focusing on long term strategies Focusing on long term opportunities for the business
Transparency	Avoiding over-expectations from the target audiences Facing adverse news openly and honestly
Managing relations	Providing analysts with access to the top management Being proactive rather than re-active Employs an nvestor relations staff or a department that is able to explain details and is responsive to analysts' inquires and requests

The financial community consists of the following sixteen influential financial groups: stock exchange member firms, customers' brokers, security analysts and individual analysts, unlisted or over-the-counter dealers, investment bankers, commercial bankers, registered investment advisory services, insurance companies and pension funds, mutual funds and investment trusts, investment counselors, trustees of estates and institutions, financial statistical organizations, investment magazines and financial publications, large individual shareholders, debt rating agencies, portfolio managers and lender banks (Miller, 1991). Whatever the principle activities and whoever the audience, communicating and transmitting relevant, concise, trust worthy, real time information are the key activities of investor relations.

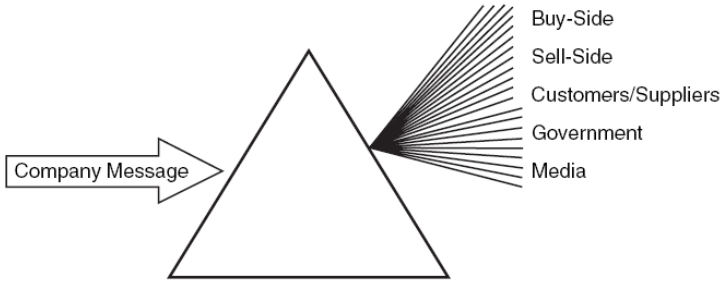
Publicly traded companies are required to provide certain information to current and potential investors. In the U.S., this information includes *mandated SEC disclosure documents, such as annual reports, 10-K filings, proxy statements, quarterly 10-Q filings, and 8-Ks* that announce unscheduled decisions and actions. Additionally, there are day-to-day goings-on of the company, marketing strategies, operational decisions, acquisitions, and general business fluctuations that, if deemed to be *material,* can be shared with investors. All of these communications are supported by other vehicles such as *press releases, conference calls, and management presentations,* whether live or Web cast (Ryan and Jacobs, 2005).

In most cases, the packaging and distribution of this information is the responsibility of investor relations, as IR is the filter through which all financial commu-

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nications come out of the company. (See Figure 1). Companies have either an IR department or an executive designated with IR responsibilities, and many companies supplement the IR function with outside IR counsel. IR counsel, either internal or external, not only administrates disclosure responsibilities but, in a perfect world, works to preserve or enhance the company's equity value. IR counsel steeped in capital markets know-how and industry-specific knowledge understands the cause and effect of stock movements and incorporates that knowledge into all strategic communications plans.

Figure 1 : The Financial Communciations Filter



Source : Ryan M. T. & Jacobs A. C. (2005). Using Investor Relations to Maximize Equity Valuation. John Wiley & Sons Inc., New Jersey, 2005, 5.

III. History of IR

Investor relations are a young specialization and can be dated back to the time around post World War II. In the time after World War II, there was an economic boom, which meant that Americans had to find a place to put their money, and companies had to expand in order to satisfy the growing needs of consumers. There had been some trading occurring during the Second World War, however, it was only the rich and professional investors that dared to invest their money in companies. Therefore, the trading volume practically exploded when the rich and professional investors started to invest in companies during the 1950s and the 1960s and a new type of communication department within a company was born. Three eras can be identified in the history of investor relations: the Communication Era (1945-1970), the Financial Era (1970-2000), and the Synergy Era (after 2000) (Laskin, 2010).

a) The Communication Era (1945-1970)

The modern profession of investor relations originated through the ideas of Ralph Cordiner, a chairman of *General Electric* who in 1953, created a business function in charge of all shareholder communications. In fact, it was in the early 1950s when numerous U.S. companies began thinking about their shareholders in a different way, and concentrating on how to build a beneficial relationship with them. This sudden shift in thought processes was due to the fact that companies were facing another type of shareholder on the financial market – namely, the private/individual shareholder, who caused major changes in the board room. Before this, companies only knew of institutional shareholders but now normal persons from American households also became shareholders. The first companies to recognize this change were the car manufactures *Ford, GM,* and *Chrysler*. They began to target consumers as shareholders because back then, it was normal for private shareholders to purchase cars from the company in which they owned shares. From that point on, increasing share demand became a crucial part of the corporate agenda as it would push prices up and up (Laskin, 2010). Below are some examples of the major changes that U.S. companies executed after they began targeting private shareholders:

- The annual reports took shape as a 48 page, glossy sales brochure for the company's products. All the financial data was there too, but now focus was on sale.
- Companies would give away free gifts or gifts boxes with samples of products to their shareholders.
- Annual General Meetings (AGM) would be of no substance, but rather an event where shareholders could eat and drink for free and stay free at hotels in relation with the AGM.

As mentioned above, there was an economic boom during the post-World-War-II years which created extra income in the hands of the American public; this was an extraneous income that could be invested. Corporations found themselves fighting with each other for this cash – a competition companies were not used to facing. In this moment, the management turned to the proven professionals of communicating with individuals for help – public relations teams. Unfortunately, in the 1950s, public relations were not a well-established practice. Only the largest companies had an internal public relations staff, and the functions and roles of public relations were limited. This era was characterized by the lack of financial expertise among practitioners.

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Investor relations tasks were assigned to publicists who were largely considered press agents, who focused their efforts on putting the company's name into mass media. Investor relations throughout this period lacked strategic and managerial activities, as companies did not think that shareholders could have a marked influence on them. Thus, organizations did not conduct research to understand their shareholder patterns better. The feedback from shareholders was not collected or analyzed what so ever. The stream of information simply flowed one-way: from organization to the publics, and flowed mainly through mass media channels. Later on in the history of investor relations, this communication method was changed to two-way communication as IR practitioners figured out that this was the best way to communicate with shareholders.

At the end of the communication era, the two professions of investor relations and public relations were split completely. Companies finally realized that public relations professionals had little competence in running investor relations. Thus investor relations professionals founded their own organization named the National Investor Relations Institute (NIRI). They quickly defined their main goal as: "*Our aim is to separate ourselves from the so-called financial public relations consultants, who operate on the fringe of stock touting, and who are fouling the nest.*"(Laskin, 2010).

b) The Financial Era (1970-2000)

The second era, the financial era, saw the focus shift from private shareholders to institutional investors. During the financial era, the U.S. market was about to be institutionalized. Investor relations responsibilities were also shifting from communication specialists to accountants and financial professionals. Under the supervision of CFOs (*Corporate Financial Officers*), investor relations activities became focused on providing financial disclosure to investors. Companies were used to handling poorly educated private shareholders, but the shareholder profile changed to well-educated professionals, financial analysts who did not accept a nice glossy report filled with product information. Instead, they demanded information about company strategies, sales, and research and development.

The focus then shifted from mass media to one-on-one meetings with institutional shareholders and financial analysts. This interpersonal nature of communications enabled two-way information streams. Feedback was gathered, although it was rarely used to modify the activities of corporations. Instead, it was used to come up with more persuasive messages in order to "sell" the organization. The "selling" approach positioned the goal of investor relations towards increasing the share price through supplying the financial audience with plenty of positive company news. A high share price would satisfy shareholders and the company would have more money to work with as the value of the company would increase. Scholars suggest that this might be one of the reasons for the "creative accounting" at Enron and other corporations.

The job description of an IR professional also evolved during this era. Institutional investors were powerful and evaluated every action the company took and did not hesitate to criticize or ask questions if they believed these actions were not in the best interests of the shareholders. Companies saw institutional investors as corporate activists because they were not used to interference from skeptical shareholders. For this reason, investor relations professionals had to transform from providing information into defending the managers' actions. If these actions were criticized, investor relations professionals were expected to come with counterarguments to explain and protect the company's actions. Overall, their job was to increase valuation of the company and distribute positive information while the negative was tightly controlled. This led to manipulated communication which resulted in overvaluations, accounting fraud, and selective distribution of information (Laskin, 2010).

c) The Synergy Era (after 2000)

Laskin (2010) defines the current era of investor relations as the *synergy era*. The shift from the previous *financial era* was caused by changes in society and the economy. The 21st century was impacted by devastating corporate scandals and failures. Large accounting scandals and the burst of the dot-com bubble challenged the entire model of corporate America. Various accounting scandals necessitated an overhaul of disclosure and financial reporting standards as well. Laskin suggests that investor relations practice has assumed more responsibilities than ever before since the collapse of Enron. Furthermore, the competition for capital increased heavily and made investor relations a key activity, influencing the success of the entire company. "*CEOs saw that investor relations are not one of the auxiliary functions, but rather an activity that can create a competitive advantage.*"(Laskin, 2010).

Today, the task for investor relations officers is to help investors to understand the business model of the company. The new goal of investor relations is to build a mutually beneficial trust relationship between the company and its investors, which allows for long-term cooperation. Today's investors demand more than only being supplied a financial disclosure. They require information about the company's strategy, management team, and mission and vision, amongst others that are vital information in regards to making an investment decision. Thus, it has become more important for investor relations officers to not only speak the financial language, but it is also important for them to be able to strategically communicate with investors.

Investor relations is about proficient communication between a company and its investors, and

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success in investor relations requires the companies to extend the scope of investor relations from a mere publication of obligatory annual and interim reports to more frequent, extensive, proactive and diversified two-way interaction and communication. The synergy era requires that investor relations officers listen to investors as much as they listen to management, and that they help to align the interests of both parties. Investors should be as likely to follow management recommenddations as management should be able to adopt investor propositions. This type of investor relations is based on communication between the company, investment community and financial public.

It can be argued that the current state of investor relations results directly from the investor relations history. Today, the profession requires a synergy of communication expertise and financial expertise, which have characterized the previous eras respectively. Communication and financial skills are equally valued and required in order to obtain the goal of improving the understanding of the company among investors. Communication is the key, with information traveling back and forth between company and investors, and implementing feedback from investors in the corporate decision-making process. Investor feedback is actively gathered and evaluated, shareholder research is conducted, and the analysis is often taken into consideration when planning the company's strategy.

IV. IR on the Internet: Importance of E-Communications

To survive in a changing business environment, company itself must satisfy the needs of various interest groups, so-called stakeholders, among who are investors, that is shareholders and stockholders. Thus, we enter the area frequently called public relations (PR). The era of "e-communications" began in the 90's in past century, with wider usage of Internet. With the change of ways of communication, investors' needs also changed (Cole, 2004). Until then, investors or some other interest group could obtain company's information in written form or in direct talk with company's authorised manager. Possibility of company's data being "on-line" and available on company's Internet page, changed investors' habits (Guimard, 2008). In order to sustain in the market, companies must lead proactive strategy and foresee changes on the market and possible demands. That is how major companies work, like *Microsoft,* for example, who after frequent visits to their web pages prepared list of mostly asked question and answers, enabled web casting conferences and prepared presentations (Special Report, 2003). Basically, using Internet in relations with investors brought *Microsoft, Apple* etc. not only lower cost, but also a cheaper way of promoting the company. Since new electronic possibilities changed the structure and way of investing, they also changed the nature of relations with investors (Marcus, 2005).

Therefore, companies must be aware of the fact that active usage of Internet presentations for communicating information to investors also provides them with communication media. In other words, investors can make inquires via e-mail, define data they want to receive by newsletter, engage in a conference, etc.

Table 2 : E –communications forms

Standard forms	New forms
Informative packages	Road show
Mycro site of company	Digital video broadcasting
Chatroom	Forums
Newsletter	Conference calling
E-mail	RSS & RNS
E-mail alarms	Social networks

Source : Djordjevic B. et al. (2012). Investor Relations on the Internet: Analysis of companies on the Serbian stock market. Economic Annals, vol.57, 193/2012, Faculty of Economics, Belgrade, p.124.

Nevertheless, in spite of focus on e-communication, direct meetings with company's representative are the most popular means of communication for professional investors. And besides all upper mentioned forms of communication, phone is still the most popular method for information exchange between company and an investor. Companies use a multi-channel approach to inform their investors. Information is traditionally communicated via financial reports, press releases, road shows and in analyst meetings. The Internet can be used to provide investors with a copy of the traditional paper-based annual report, but it also offers new opportunities to present and communicate information. These include technology-specific presentation advantages, the use of cookie technology, and direct forms of communication, such as mailing lists and online participation. The advantages of providing information to investors via the Internet are: speed, lower costs and the possibility of reaching large groups of investors (Deller et al., 1999).

Social media and networks are a new form communications with investors today. Social networking allows users to connect and interact with likeminded people. While these tools were originally developed for individual use, the aspects of information sharing and instant responsiveness of social media lend itself well for corporate communications. Through social media platforms, companies can build and promote their brands, introduce new products, and learn about their customer base. Social media becomes an extension of real world communication strategies by allowing enhanced transparency and increasing interaction between companies and their stakeholders.

According to 'Public Company Use of Social Media for Investor Relations 2011,' a study by Q4Web

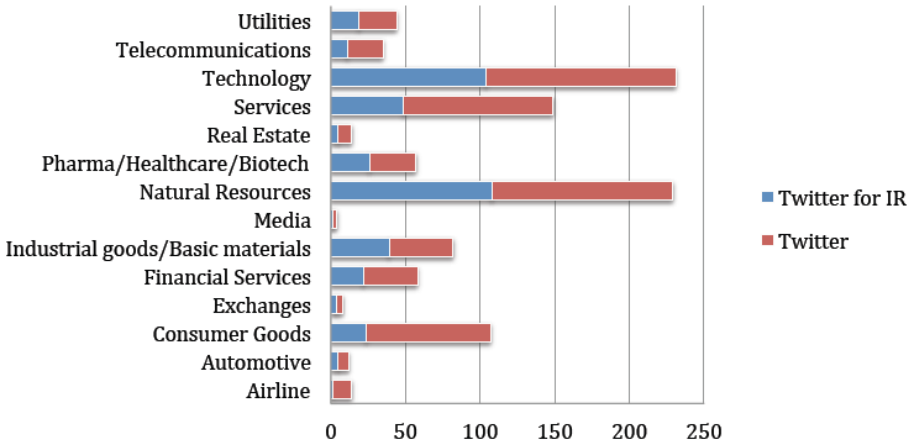
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Systems that reviewed 629 public companies in total, small public companies are more avid users of Twitter for investor relations compared with large companies, with 179 and 141 users respectively. Similarly, 98 smaller companies were reported using *Facebook* for investor relations purposes, compared with 69 large companies. Across the board, both small and large enterprises were more inclined to using social media for investor relations, as compared with mid-sized companies. A possible explanation for this data is that while large public companies have the resources to use social media and feel inclined to use the tools available because their competitors are doing it, smaller companies are reaping the largest benefits from integrating social media into their investor relations effort. The low cost of social media, combined with the potentially large footprint and visibility create an attractive value proposition. Smaller companies are also more likely to have a vocal base of retail investors, who are the prime targets of social media.

Table 3 : Public Company Use of Social Media for IR

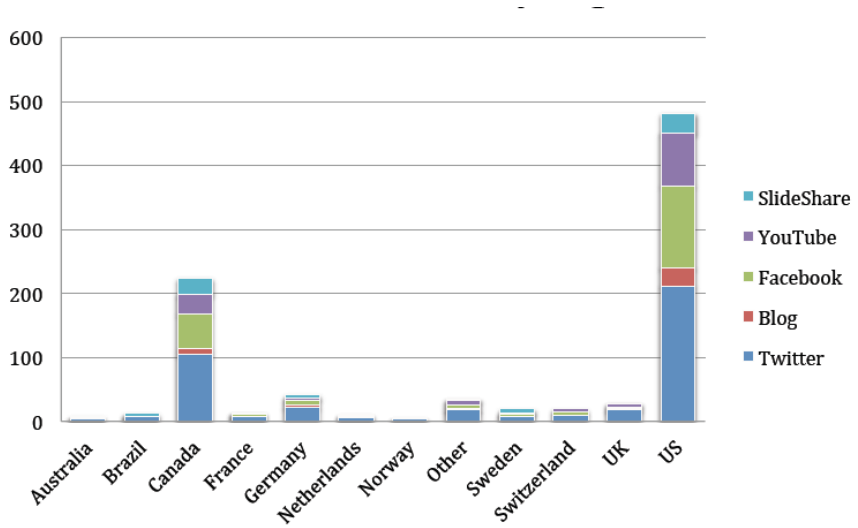
	Large	Mid	Small
Twitter	141	97	179
Facebook	69	49	98
YouTube	60	29	50
SlideShare	31	14	36
Blogs	20	5	18

Figure 2 : Use of Twitter for IR



Source : Joyce, S.(2011). Public Company Use of Social Media for Investor Relations – Part I Twitter & Stock Twits. Q4Web Systems, 6. http://www.lythampartners.com/media/7481/q4_social_media_iro_whitepaper.pdf

Figure 3 : Social media use by region



Source : Joyce, S. (2011). Public Company Use of Social Media for Investor Relations – Part I Twitter & Stock Twits. Q4Web Systems, 6. http://www.lythampartners.com/media/7481/q4_social_media_iro_whitepaper.pdf

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V. Methodology and Research Framework

We used explorative research, realized at the end of 2012, with content analyses of the Internet presentation of leading companies listed on the Belgrade Stock Exchange and Zagreb Stock Exchange, Croatia. Exploring each individual market (18 companies) included Internet presentations and pages of companies with the largest flow of share trading, as well as domestic companies whose securities were most traded on the Belgrade and Zagreb stock market in the previous two years. The companies considered were ranked in the stock market indices Belex 15, BelexLine and Crobex (Table 4). Within the companies' Internet presentations, three categories of importance for investors and the entire financial public information were considered, as shown in Table 5.

The findings of previous research are presented here based on a modified version of Hedlin's (1999) *three-stage model*, which describes the three stages of investor relations on the Internet (see Table 6.) The first stage is the Internet presence, offering general company information. The second stage, which is more interesting for investors, involves using the Internet to communicate investor information. Finally, in the third stage, a company can exploit the Internet for the specific advantages it offers. In this study, three further groups of Internet activities were recognized within the third stage (Hedlin, 1999).

Table 4 : Companies in our research, listed on BSE and ZSE

Belex 15/BelexLine	Crobex
NIS a.d. Beograd	Atlantska plovidba d.d.
Imlek a.d. Beograd	Končar - elektroindustrija d.d.
Aik banka a.d. Niš	Kraš d.d.
Komercijalna banka a.d. Beograd	Podravka d.d.
Energoprojekt holding a.d. Beograd	Riviera Adria d.d.
Soja protein a.d. Bečej	Zagrebačka banka d.d.
Metalac a.d. Gornji Milanovac	Dalekovod d.d.
Tigar a.d. Pirot	Ericsson Nikola Tesla d.d.
Univerzal banka a.d. Beograd	Atlantic Grupa d.d.
Bambi Banat a.d. Beograd	AD Plastik d.d.
Galenika Fitofarmacija a.d. Zemun	Luka Rijeka d.d.
Messer Tehnogas a.d. Beograd	Ledo d.d.
Alfa plam a.d. Vranje	Konzum d.d.
Vital a.d. Vrbas	Adris grupa d.d.
Mlekara a.d. Subotica	Tisak d.d.
Informatika a.d. Beograd	Valamar Adria Holding d.d.
Carnex a.d. Vrbas	Luka Ploče d.d.
Telefonija a.d. Beograd	INA d.d.

Table 5 : Researched categories of importance for investor information

I WEB SITE	II INFORMATION FOR INVESTORS	III TOOLS FOR INVESTORS
Home page (I) Investor Relations page (IR) Corporate Social Responsibility (CSR)	Contacts (C) Financial reports (FR) Ownership structure (OS) Media (M) Stock values (SV) Management (MGT) Board of directors (BD) Business profile (BP)	Social media (SM) Audio (A) Video (V) RNS (RNS) RSS (RSS) Webcast (WBC) Newsletters (NL) Power Point (PP) E-mail (E) .pdf (PDF) Call center (CC)

Table 6 : IR Classification and structure of the three stages

IR Classification	Information & tools for investors	No. of items
First stage	I, CSR, C, FR, M	5
Second stage	OS, SV, MGT, BD, BP	5
Third stage	SM, A, V, RNS, RSS, WBC, NL, PPT, E, PDF, CC	11

After identifying the homepages of our sample companies we determine for each company the mean score for measuring the Internet investor relation stage, based on a list of variables predefined in the first part of our study. To measure the investor relation stage quantitatively in the present study, a disclosure index for investor relations (IR) was developed:

$$ScorIR = \sum_{i=1}^{18} IR_i \qquad (1)$$

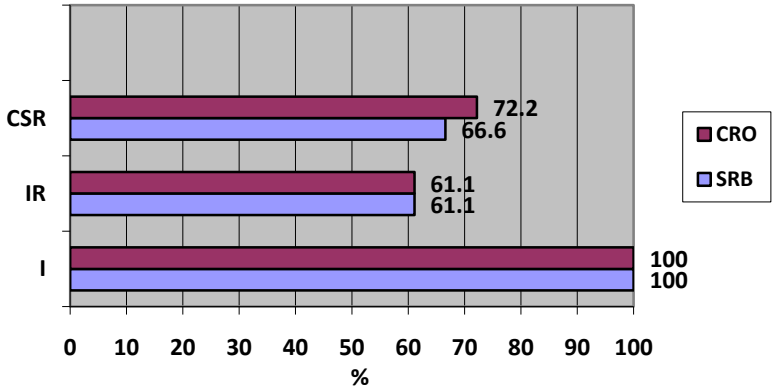
We use a composite index for measuring the investor relation stage (Chavent *et al.*, 2006). For each company we assign the value of "one" to each informational criteria satisfied and value "zero" otherwise. Each information subcategory from our sample contains a different number of items.

VI. Data and Results

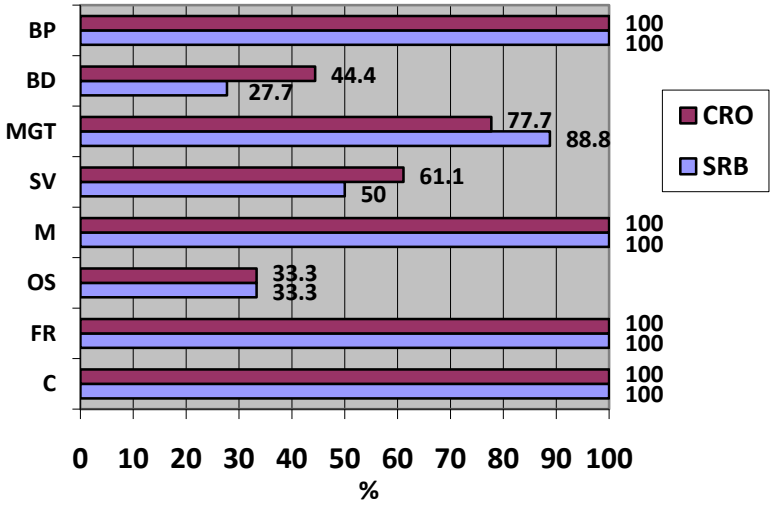
Based on explorative research of chosen Serbian and Croatian companies' Internet presentation, we divided acquired results into three groups, as shown in Table 5. Research results are presented in Graph. 1, 2 and 3.

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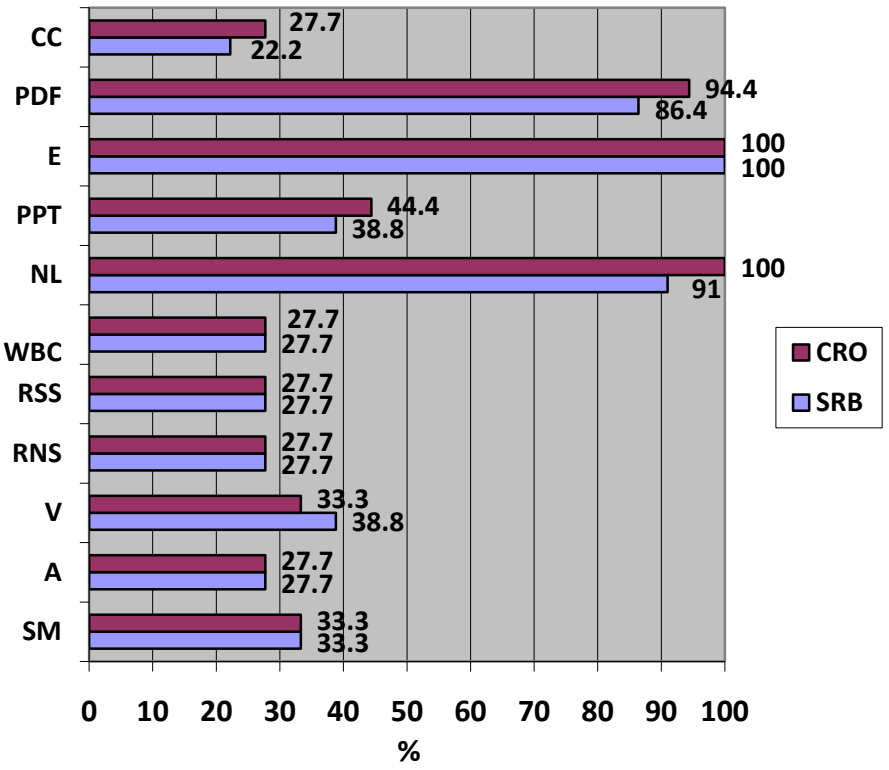
Graph 1 : Category 1 (Web sites)



Graph 2 : Category 2 (Information for Investors)



Graph 3 : Category 3 (Tools for Investors)



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a) Web Sites of Companies

With regard to earlier period, it is notable that companies pay more attention to accentuating their corporate social responsibility – Serbia with 66,6%, Croatia a bit more – 72,2% of companies. Also, more and more both Serbian and Croatian companies appreciate the importance of communication with investors, thereby they have special web page regarding IR within their internet presentation (61, 1% of companies).

b) Information for Investors

Significant flaw for all stakeholders, especially for current and potential investors, is that ownership and movement of share values are not published on web site of the company. Ownership structure is presented by 33,3% of Serbian and Croatian companies, while information on movements of share values are given by 50% of Serbian companies and 61,1% of Croatian companies.

c) Tools for Investors

Besides traditional tools (e-mail, pdf, ppt, video), it is important to emphasize that increasing number of companies uses social networks as a method of public communication. Facebook, Twitter, YouTube are predominant. Also, some companies have Call centers with special numbers for providing information. In both countries, 33,3% of researched companies use social networks, while Call centers have 22,2 %of Serbian companies and 27,7% of Croatian companies.

Based on formerly given research results, application of relevant methodology and three-stage model, we formed a table containing investor relation stages of development in Serbia and Croatia (see Table 7. and 8.). We can see that over 90% of researched companies fulfill all necessary requirements of stage one (home page, CSR, contacts, financial reports, media). In Serbia, 59% of companies are in second stage of investor relation development, whereas IR internet advantages are completely understood by 47% of listed companies. It is similar in Croatia: 63% of companies are in stage II of IR development, while IR internet tools are used by 49% of companies. We can assert that companies in Serbia and Croatia are in stage II of IR development and there is PLENTY of room to upgrade communication with interested public via internet and web tools.

If we consider Serbian companies, improvements are noticeable. Based on IR development research conducted early in 2010 and results gained in this research, improvement in usage of communication tools and internet are evident, as well as efforts of Serbian companies to enhance investor relations (see Table 9. and 10.). As we can see, companies in 2010. didn't have CSR related pages, didn't use audio and video conference, social networks were not present, number of companies displaying their share value was insignificant, etc. (Djordjevic *et al.*, 2012). Nowadays, situation regarding IR is much better than back in 2010.

Table 7 : Results of IR research by stage

	SRB*	CRO**
First stage *Companies that use internet as an alternative publication media*	1.00	1.00
	0.666	**0.722**
	1.00	1.00
	1.00	1.00
	1.00	1.00
Second stage *Companies that use internet for investor communication*	0.333	**0.333**
	0.500	0.611
	0.888	0.777
	0.277	0.444
	1.00	1.00
Third stage *Companies that exploit internet features*	0.333	0.333
	0.277	0.277
	0.388	0.333
	0.277	0.277
	0.277	0.277
	0.277	0.277
	0.910	1.00
	0.388	0.444
	1.00	1.00
	0.864	0.944
	0.222	**0.277**

Source : The autor's own calculation

Table 8 : ScorIR of SRB and CRO listed companies with IR indexes

	SRB ScorIR	CRO ScorIR
First stage	0.933	0.944
Second stage	**0.599**	**0.633**
Third stage	0.473	0.494

Source : The autor's own calculation

Table 9 : IR results of SRB companies (2010/2012)

	SRB 2010	SRB 2012
First stage *Companies that use internet as an alternative publication media*	0.864	1.00
	0	**0.666**
	0,091	1.00
	0.773	1.00
	0.773	1.00
Second stage *Companies that use internet for investor communication*	0.682	0.333
	0.068	0.500
	0.644	0.888
	0.364	0.277
	0.864	1.00
Third stage *Companies that*	0	**0.333**
	0	**0.277**
exploit internet features	0.091	0.388
	0	**0.277**
	0.045	0.277
	0	**0.277**
	0.910	0.910
	0	**0.388**
	0.886	1.00
	0.864	0.864
	0	**0.222**

Source : The autor's own calculation

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Table 10 : ScorIR of SRB listed companies (2010/2012)

	SRB ScorIR 2010	SRB ScorIR 2012
First stage	0.501	0.933
Second stage	0.524	0.599
Third stage	0.254	0.473

Source : The autor's own calculation

VII. Conclusion

The goal of the presented research on the quality of relations between listed companies and their investors is to present a picture of the current state of affairs in the domestic capital market, and to provide guidance in anticipation of further development in and improvement of investor relations. The analyses of research results have particularly pointed out several areas which could be improved and which could form the basis of future research:

- Reporting above the prescribed legal minimum is required in order to build quality relations with the investing public. Domestic companies should put extra information and comments in their annual reports, Internet presentations, and other materials meant for the investing public, in accordance with other developed capital markets;
- Companies that wish to actively compete for foreign investors should improve their reports in English. Although publishing information in English is not a prescribed obligation, other than for companies whose shares are listed in the BSE and ZSE Prime Market, good investor relation practice assumes the timely and equally extensive information of foreign investors;
- Publishing information on company securities trading on its own Internet page and publishing share prices on its home page affirms a company's orientation to the capital market, and represent activities that are fairly easy realized by taking over data (free of charge) directly from the Belgrade Stock Exchange or data distributors (Data vendors);
- Internet presentation pages intended for investors should be organized in a user-friendly way, i.e., easy to use and simple to find all the necessary information. The mere existence of these pages is not enough to fulfill the expectation of the investing public, and their organization and maintenance should be thoroughly planned;
- Investor relation activities in the Serbian and Croatian capital market are still in the formation phase. Building these relations will require significant attention, and it is necessary to bear in mind that, besides financial reports, modern relations with investors include marketing and PR skills. The existence of qualified personnel that deal exclusively with building and managing investor relations is necessary for a company's successful performance in financing and affirming its business in the capital market;
- Practice shows that investors and shareholders highly appreciate direct contact with management and persons in charge of investor relations. Therefore domestic companies could increase face-to-face activities such as holding meetings with representatives of the investing public, both in Serbia and abroad. Besides face-to-face meetings, the development of modern technology provides cheaper forms of direct contact via Internet or video conferencing, by which, at fairly low cost, a wider investor audience can be reached;
- New technology will also be a challenge as the social media platforms has accelerated extremely fast. IR practitioners are facing a huge social network that will be almost impossible to control. For this reason, companies will be forced to make sure that the IR department receives further education and simultaneously evolves with the new technology. In addition, IR departments should take the lead in developing social media in order to communicate with financial markets. As a result, IR practitioners should be able to respond more effectively and faster when it is needed;
- The future of investor relations will be extremely challenging and it will require the profession to change in order to meet the demands of tomorrow. That said, it is very unlikely that the goal of investor relations will change. The main task of the IR department will still be to build mutually beneficial relationships between companies and their shareholders that are based on open, two-way communication. The only change will be the level of complexity in regards to handling investor relations as new technology continues to change the communication channels and forums.

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