

1 Investor Relations on the Western Balkan's Stock Market: A 2 Comparative Study

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6

7 **Abstract**

8 In this work we analyses IR development of Serbian and Croatian companies listed on stock
9 markets which are within indices Belex 15, BelexLine (Belgrade Stock Exchange) and Crobex
10 (Zagreb Stock Exchange). Our results indicate that IR techniques have diffused from countries
11 following the Anglo-American economic model to The Western Balkan's countries. Serbia and
12 Croatia have adopted laws and regulations in order to facilitate the establishment of stock
13 markets. These new regulatory regimes have largely been influenced by the EU especially for
14 countries gaining or planning to gain membership. The emergence of IR practices and IR
15 departments in the Serbia and Croatia contributes to the development of corporate
16 governance structures and market transparency. This exploratory study suggests that further
17 research using a larger sample to enable statistical testing of disclosure theories relevant to IR
18 is desirable. There is also a possibility for more qualitative case study or research to provide
19 further insight into the topic. Potential also exists for studies of the diffusion of IR in the
20 other Western Balkan's countries (Montenegro, Macedonia, Bosnia and Herzegovina,
21 Slovenia, Bulgaria etc.) and the newly emerging economies of BRICS countries (Brazil, India,
22 China and South Africa).

23

24 ***Index terms***— investor relations, communications, internet, shareholders, stock market.

25 **1 Introduction**

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

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

3 DEFINING IR

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

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

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

59 2 II.

60 3 Defining IR

61 Modern 'investor relations' as a discipline was defined in the late 1970s. Different academics and practitioners
62 of investor relations defined it in various ways. In general, 'investor relations' can be seen as a I connection or
63 link between companies and the investor community (Lake and Graham, 1990). Investor relations are an overall
64 process by which a corporation communicates with the investor community, explaining the company's future
65 challenges and opportunities, discussing present strategy and past performance, and developing a constituency
66 of informed and interested investors) (Ellis, 1985). Conducted effectively, investor relations can have a positive
67 effect on a company's total value relative to the overall market and a company's capital cost (Petersen and
68 Martin, 1996).

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

88 The purpose of investor relations is to make a proper connection or link between the company's management
89 and the financial community (Miller, 1991). Basically, the investor relationship department of corporations deals
90 and communicates with influential financial groups. The financial community consists of the following sixteen
91 influential financial groups: stock exchange member firms, customers' brokers, security analysts and individual
92 analysts, unlisted or over-thecounter dealers, investment bankers, commercial bankers, registered investment
93 advisory services, insurance companies and pension funds, mutual funds and investment trusts, investment
94 counselors, trustees of estates and institutions, financial statistical organizations, investment magazines and
95 financial publications, large individual shareholders, debt rating agencies, portfolio managers and lender banks
96 (Miller, 1991). Whatever the principle activities and whoever the audience, communicating and transmitting
97 relevant, concise, trust worthy, real time information are the key activities of investor relations.

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

105 In most cases, the packaging and distribution of this information is the responsibility of investor relations, as
106 IR is the filter through which all financial communications come out of the company. (See Figure 1). Companies
107 have either an IR department or an executive designated with IR responsibilities, and many companies supplement
108 the IR function with outside IR counsel. IR counsel, either internal or external, not only administrates disclosure
109 responsibilities but, in a perfect world, works to preserve or enhance the company's equity value. IR counsel
110 steeped in capital markets know-how and industry-specific knowledge understands the cause and effect of stock
111 movements and incorporates that knowledge into all strategic communications plans.

112 4 History of IR

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

121 a) The Communication Era The modern profession of investor relations originated through the ideas of Ralph
122 Cordiner, a chairman of General Electric who in 1953, created a business function in charge of all shareholder
123 communications. In fact, it was in the early 1950s when numerous U.S. companies began thinking about their
124 shareholders in a different way, and concentrating on how to build a beneficial relationship with them. This
125 sudden shift in thought processes was due to the fact that companies were facing another type of shareholder on
126 the financial market -namely, the private/individual shareholder, who caused major changes in the board room.
127 Before this, companies only knew of institutional shareholders but now normal persons from American households
128 also became shareholders. The first companies to recognize this change were the car manufactures Ford, GM,
129 and Chrysler. They began to target consumers as shareholders because back then, it was normal for private
130 shareholders to purchase cars from the company in which they owned shares. From that point on, increasing
131 share demand became a crucial part of the corporate agenda as it would push prices up and up (Laskin, 2010).
132 Below are some examples of the major changes that U.S. companies executed after they began targeting private
133 shareholders: ? The annual reports took shape as a 48 page, glossy sales brochure for the company's products.
134 All the financial data was there too, but now focus was on sale. ? Companies would give away free gifts or
135 gifts boxes with samples of products to their shareholders. ? Annual General Meetings (AGM) would be of no
136 substance, but rather an event where shareholders could eat and drink for free and stay free at hotels in relation
137 with the AGM. As mentioned above, there was an economic boom during the post-World-War-II years which
138 created extra income in the hands of the American public; this was an extraneous income that could be invested.
139 Corporations found themselves fighting with each other for this cash -a competition companies were not used to
140 facing. In this moment, the management turned to the proven professionals of communicating with individuals
141 for help -public relations teams. Unfortunately, in the 1950s, public relations were not a well-established practice.
142 Only the largest companies had an internal public relations staff, and the functions and roles of public relations
143 were limited. This era was characterized by the lack of financial expertise among practitioners.

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

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

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

166 The focus then shifted from mass media to oneon-one meetings with institutional shareholders and financial

5 IR ON THE INTERNET: IMPORTANCE OF E-COMMUNICATIONS

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

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

183 c) The Synergy Era (after 2000)

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

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

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

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

216 IV.

217 5 IR on the Internet: Importance of E-Communications

218 To survive in a changing business environment, company itself must satisfy the needs of various interest groups,
219 so-called stakeholders, among who are investors, that is shareholders and stockholders. Thus, we enter the area
220 frequently called public relations (PR). The era of "e-communications" began in the 90's in past century, with
221 wider usage of Internet. With the change of ways of communication, investors' needs also changed (Cole, 2004).
222 Until then, investors or some other interest group could obtain company's information in written form or in
223 direct talk with company's authorized manager. Possibility of company's data being "on-line" and available on
224 company's Internet page, changed investors' habits (Guimard, 2008). In order to sustain in the market, companies
225 must lead proactive strategy and foresee changes on the market and possible demands.

226 That is how major companies work, like Microsoft, for example, who after frequent visits to their web pages
227 prepared list of mostly asked questions and answers, enabled web casting conferences and prepared presentations
228 (Special Report, 2003). Basically, using Internet in relations with investors brought Microsoft, Apple etc. not

229 only lower cost, but also a cheaper way of promoting the company. Since new electronic possibilities changed
230 the structure and way of investing, they also changed the nature of relations with investors (Marcus, 2005).

231 Therefore, companies must be aware of the fact that active usage of Internet presentations for communicating
232 information to investors also provides them with communication media. In other words, investors can make
233 inquiries via e-mail, define data they want to receive by newsletter, engage in a conference, etc. Nevertheless, in
234 spite of focus on ecommunication, direct meetings with company's representative are the most popular means
235 of communication for professional investors. And besides all upper mentioned forms of communication, phone
236 is still the most popular method for information exchange between company and an investor. Companies use a
237 multichannel approach to inform their investors. Information is traditionally communicated via financial reports,
238 press releases, road shows and in analyst meetings. The Internet can be used to provide investors with a copy
239 of the traditional paper-based annual report, but it also offers new opportunities to present and communicate
240 information. These include technology-specific presentation advantages, the use of cookie technology, and direct
241 forms of communication, such as mailing lists and online participation. The advantages of providing information
242 to investors via the Internet are: speed, lower costs and the possibility of reaching large groups of investors (Deller
243 et al., 1999).

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

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

261 6 Methodology and Research Framework

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

269 The findings of previous research are presented here based on a modified version of Hedlin's (1999) three-
270 stage model, which describes the three stages of investor relations on the Internet (see Table 6.) The first stage
271 is the Internet presence, offering general company information. The second stage, which is more interesting
272 for investors, involves using the Internet to communicate investor information. Finally, in the third stage, a
273 company can exploit the Internet for the specific advantages it offers. In this study, three further groups of
274 Internet activities were recognized within the third stage (Hedlin, 1999). After identifying the homepages of our
275 sample companies we determine for each company the mean score for measuring the Internet investor relation
276 stage, based on a list of variables predefined in the first part of our study. To measure the investor relation stage
277 quantitatively in the present study, a disclosure index for investor relations (IR) was developed: = = 18 1 i i
278 IR ScorIR (1)

279 We use a composite index for measuring the investor relation stage (Chavent et al., 2006). For each company
280 we assign the value of "one" to each informational criteria satisfied and value "zero" otherwise. Each information
281 subcategory from our sample contains a different number of items. With regard to earlier period, it is notable
282 that companies pay more attention to accentuating their corporate social responsibility -Serbia with 66,6%,
283 Croatia a bit more -72,2% of companies. Also, more and more both Serbian and Croatian companies appreciate
284 the importance of communication with investors, thereby they have special web page regarding IR within their
285 internet presentation (61, 1% of companies).

286 7 Global

287 8 b) Information for Investors

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

292 9 c) Tools for Investors

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

298 Based on formerly given research results, application of relevant methodology and three-stage model, we formed
299 a table containing investor relation stages of development in Serbia and Croatia (see Table 7. and 8.). We can see
300 that over 90% of researched companies fulfill all necessary requirements of stage one (home page, CSR, contacts,
301 financial reports, media). In Serbia, 59% of companies are in second stage of investor relation development,
302 whereas IR internet advantages are completely understood by 47% of listed companies. It is similar in Croatia:
303 63% of companies are in stage II of IR development, while IR internet tools are used by 49% of companies. We
304 can assert that companies in Serbia and Croatia are in stage II of IR development and there is PLENTY of room
305 to upgrade communication with interested public via internet and web tools.

306 If we consider Serbian companies, improvements are noticeable. Based on IR development research conducted
307 early in 2010 and results gained in this research, improvement in usage of communication tools and internet are
308 evident, as well as efforts of Serbian companies to enhance investor relations (see Table ???. and 10.). As we can
309 see, companies in 2010. didn't have CSR related pages, didn't use audio and video conference, social networks
310 were not present, number of companies displaying their share value was insignificant, etc. (Djordjevic et al.,
311 2012). Nowadays, situation regarding IR is much better than back in 2010.

312 10 Conclusion

313 The goal of the presented research on the quality of relations between listed companies and their investors is
314 to present a picture of the current state of affairs in the domestic capital market, and to provide guidance in
315 anticipation of further development in and improvement of investor relations. The analyses of research results
316 have particularly pointed out several areas which could be improved and which could form the basis of future
317 research: ? Reporting above the prescribed legal minimum is required in order to build quality relations with
318 the investing public. Domestic companies should put extra information and comments in their annual reports,
319 Internet presentations, and other materials meant for the investing public, in accordance with other developed
320 capital markets; ? Companies that wish to actively compete for foreign investors should improve their reports
321 in English. Although publishing information in English is not a prescribed obligation, other than for companies
322 whose shares are listed in the BSE and ZSE Prime Market, good investor relation practice assumes the timely
323 and equally extensive information of foreign investors; ? Publishing information on company securities trading
324 on its own Internet page and publishing share prices on its home page affirms a company's orientation to the
325 capital market, and represent activities that are fairly easy realized by taking over data (free of charge) directly
326 from the Belgrade Stock Exchange or data distributors (Data vendors); ? Internet presentation pages intended
327 for investors should be organized in a user-friendly way, i.e., easy to use and simple to find all the necessary
328 information. The mere existence of these pages is not enough to fulfill the expectation of the investing Croatian
329 capital market are still in the formation phase. Building these relations will require significant attention, and it
330 is necessary to bear in mind that, besides financial reports, modern relations with investors include marketing
331 and PR skills. The existence of qualified personnel that deal exclusively with building and managing investor
332 relations is necessary for a company's successful performance in financing and affirming its business in the capital
333 market; ? Practice shows that investors and shareholders highly appreciate direct contact with management and
334 persons in charge of investor relations. Therefore domestic companies could increase faceto-face activities such
335 as holding meetings with representatives of the investing public, both in Serbia and abroad. Besides face-to-face
336 meetings, the development of modern technology provides cheaper forms of direct contact via Internet or video
337 conferencing, by which, at fairly low cost, a wider investor audience can be reached; ? New technology will
338 also be a challenge as the social media platforms has accelerated extremely fast. IR practitioners are facing a
339 huge social network that will be almost impossible to control. For this reason, companies will be forced to make
340 sure that the IR department receives further education and simultaneously evolves with the new technology. In
341 addition, IR departments should take the lead in developing social media in order to communicate with financial
342 markets. As a result, IR practitioners should be able to respond more effectively and faster when it is needed; ?
343 The future of investor relations will be extremely challenging and it will require the profession to change in order
344 to meet the demands of tomorrow. That said, it is very unlikely that the goal of investor relations will change.

345 The main task of the IR department will still be to build mutually beneficial relationships between companies
346 and their shareholders that are based on open, two-way communication. The only change will be the level of
347 complexity in regards to handling investor relations as new technology continues to change the communication
channels and forums.^{1 2}



Figure 1: Figure 1 :

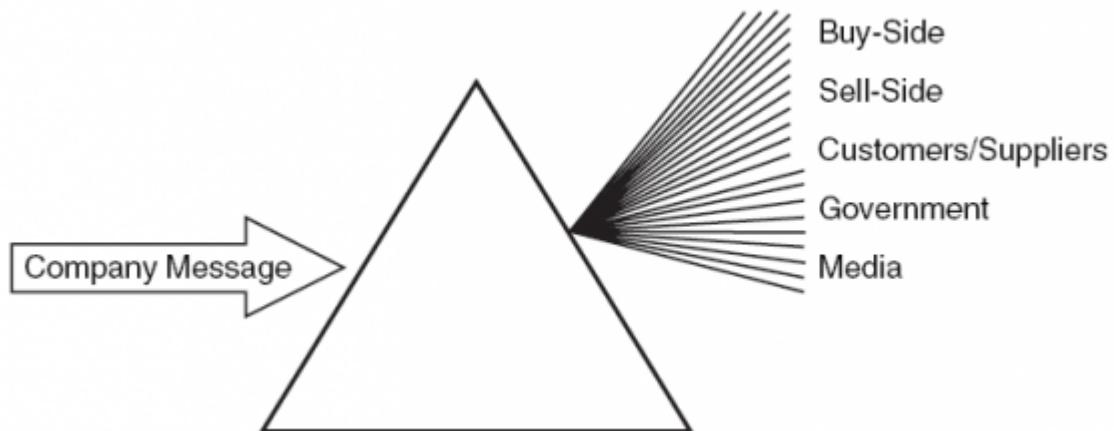
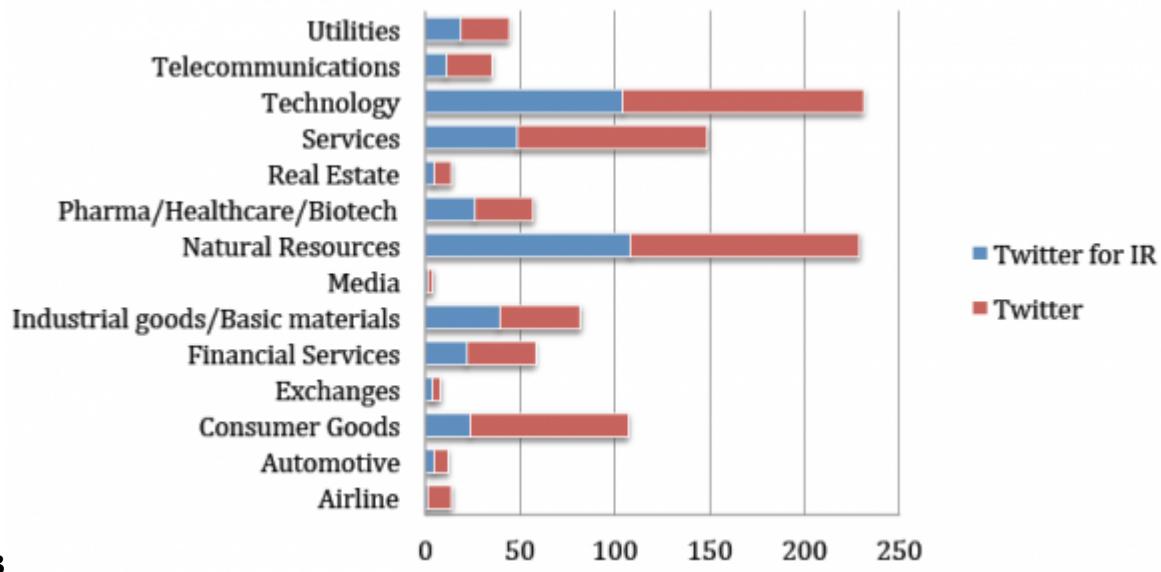


Figure 2:

348

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23

Figure 3: Figure 2 :Figure 3 :

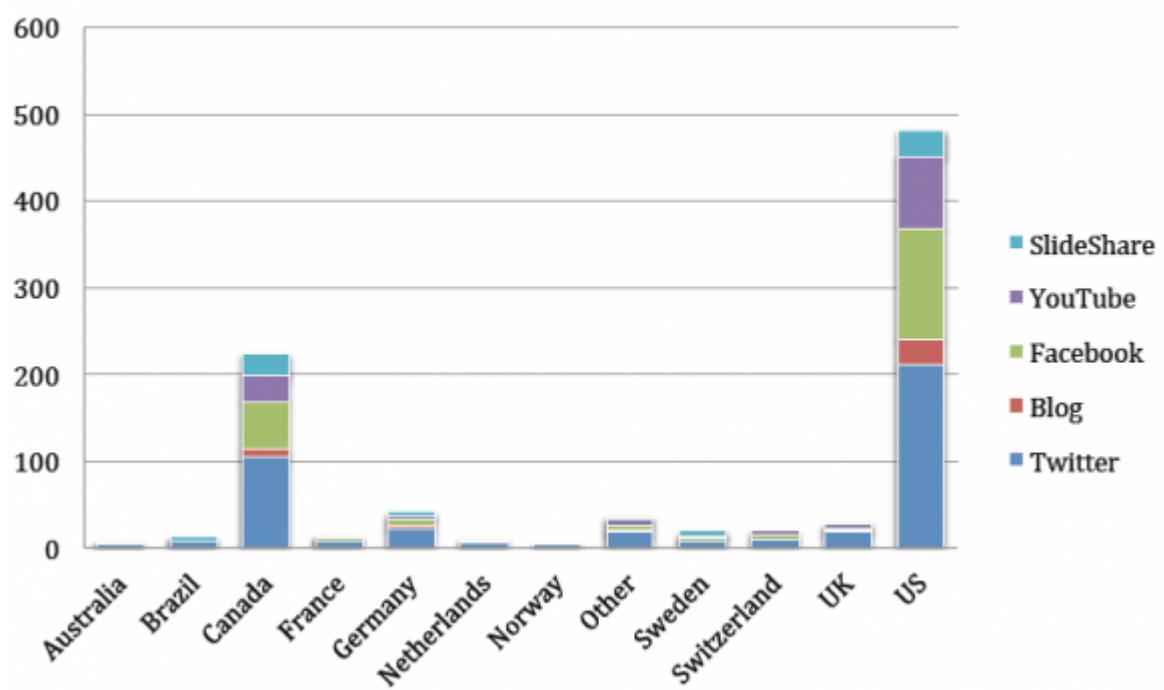


Figure 4:

1

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

Figure 5: Table 1 :

2

E -communications forms	
Standard forms	New forms
Informative packages	Road show
Micro 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.	

Figure 6: Table 2 :

3

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

Figure 7: Table 3 :

4

listed on BSE and ZSE
Belex 15/BelexLine

Crobex

Figure 8: Table 4 :

6

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

Figure 9: Table 6 :

	SRB*	CRO**
First stage	1.00	1.00
Companies that use internet as an alternative	0.666	0.722
publication media	1.00	1.00
Second stage	1.00	1.00
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	0.333	0.333
Companies that exploit internet features	0.277	0.277
	0.388	0.333
	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

Figure 10: Table 7 :

companies with SRB ScorIR	IR indexes CRO ScorIR
First stage	0.933
Second stage	0.599
Third stage	0.473

Source : The autor's own calculation

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

	SRB 2010	SRB 2012
First stage	0.864	1.00
Companies that use internet as an alternative publication media	0 0,091 0,773 0,773	0,666 1.00 1.00 1.00
Second stage	0,682	0,333
Companies that use internet for investor communication	0,068 0,644 0,364 0,864	0,500 0,888 0,277 1.00
Third stage	0	0,333
Companies that exploit internet features	0 0,091 0 0,045 0 0,910 0 0,886 0,864 0	0,277 0,277 0,910 0,388 0,277 0,277 0,388 1.00 0,864 0,222

[Note: Source : The autor's own calculation D]

Figure 11: Table 8 :

	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.

Figure 12: Table 10 :

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

351 .1 VI.

352 .2 Data and Results

353 .3 D

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