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INVESTOR RELATIONS ON THE INTERNET: ANALYSIS OF COMPANIES ON THE SERBIAN STOCK MARKET

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ABSTRACT: *Stockholders and other interested parties used to exchange information in writing by means of physical submission, while today with just a click on any known company's Internet page it is possible to acquire both the information needed and its financial situation. The aim of this work is to indicate the lack of corporate culture and investor communication on the Serbian stock market by analysing investor relations via the e-communication tools of some of the best Serbian companies. This study investigates investor relations on the Internet of companies listed on the Belgrade Stock Exchange (BELEX 15 and BELEX LINE). For this purpose, the websites of the 20 largest listed companies*

of the Republic of Serbia were screened for investor relations items. Results obtained by using a three-stage model show that most companies in Serbia are at the second stage of internet investor relations, i.e., where information available through other sources is combined to better inform investors. In the third stage companies use the full interactive possibilities of the Internet for investor relations purposes. The author also stresses that the quality of investor relations must be a part of every company's strategic vision.

KEY WORDS: *investor relations, communications, Internet, stakeholders, stock market, disclosure*

JEL CLASSIFICATION: G32, M41

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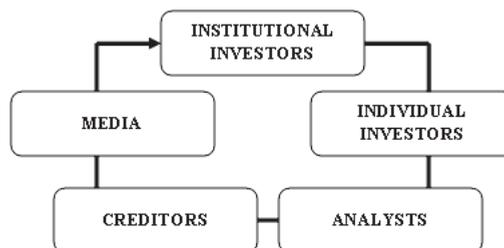
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1. INTRODUCTION

Investor relations and relations with the financial public refer to different forms of communication 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 investors 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 analyse a company's business and compare their forecasts with the ones made by analysts.

Figure 1: Financial public



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. Because companies are interested in improving their image to obtain competitive advantage or to get more capital from the capital markets, they have started to disclose voluntary financial or non-financial information in addition to the mandatory information contained in financial statements. The Internet is the best media for both companies and stakeholders to reach these goals. In this context a company's communications have evolved from the traditional channels to online investor relations services, which provide additional information at a relative low cost. Online or Internet reporting has become a new way for external users to access relevant financial and accounting information to support their decision-making process.

This study investigates investor relations on the Internet of companies listed on the Belgrade Stock Exchange (BELEX 15 and BELEX LINE). For this purpose the websites of the 20 largest listed companies in the Republic of Serbia were screened for investor relations items.

The objective of our study is to find out if Serbian 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 Serbian companies have given more attention to online investor relations in improving their investor communications.

2. DEFINITIONS OF INVESTOR RELATIONS

Modern 'investor relations' as a discipline was defined in the late 1970s (Lake and Graham, 1990). Different academics and practitioners of investor relations defined it in various ways. In general, 'investor relations' can be seen as a connection or link between companies and the investor community. According to Ellis (1985), investor relations is 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. 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)¹, 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. Ryder and Register (1989) noted that an investor relation is nothing but a defensive or aggressive attempt to stimulate the company's value and share price. 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, Dolphin (2003) quoted Rao and Sivakumar (1999): "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. 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 practising various activities, investor relationship departments communicate information to the investor community. The general investor relation activities are depicted in Table 1.

¹ The National Investor Relations Institute was founded in 1969 and is the world's largest professional association for investor relation practitioners (corporate officers and investor relations consultants). It is located in Vienna (Austria) and Virginia (US), and is responsible for promoting communications between the various financial publics: corporate management, shareholders, stakeholders, and security analysts.

Table 1: Investor relation activities

Conveying information about	Activities
Present business status	Explaining information about the business and environment Explaining recent developments and decisions on the basis of company's long term planning and strategy
Forecasting future status	Highlighting 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 investor relations staff or a department that is able to explain details and is responsive to analysts' inquires and requests

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. According to Miller (1991), 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 counsellors, trustees of estates and institutions, financial statistical organizations, investment magazines and financial publications, large individual shareholders, debt rating agencies, portfolio managers and lender banks. Whatever the principle activities and whoever the audience, communicating and transmitting relevant, concise, trustworthy, real time information are the key activities of investor relations.

Besides its basic function of informing and maintaining quality relations with professional and individual investors, investor relations nowadays includes PR and marketing tools. Today in developed capital markets being straight forward and honest with the investing public is standard, so those companies or markets that do not treat investors properly are considered insufficiently transparent and

unsafe for investment (Marinkovic, 2007). Investors are not prepared to invest funds in companies if they do not have sufficient data on them, and if they cannot be certain of getting required information at any time from the person in charge of investor relations or top management (Beogradska berza, 2007). Participants in the process of capital market development of countries in transition should pay more attention in the future to investor relations and adequate tools. Reporting every important event in a company, openness towards investors, Internet pages and printed information intended entirely for the investing public, as well as constant direct conversations with shareholders and potential investors, must become a daily routine for the companies that want to compete equally in the world's capital markets based on accomplished results.

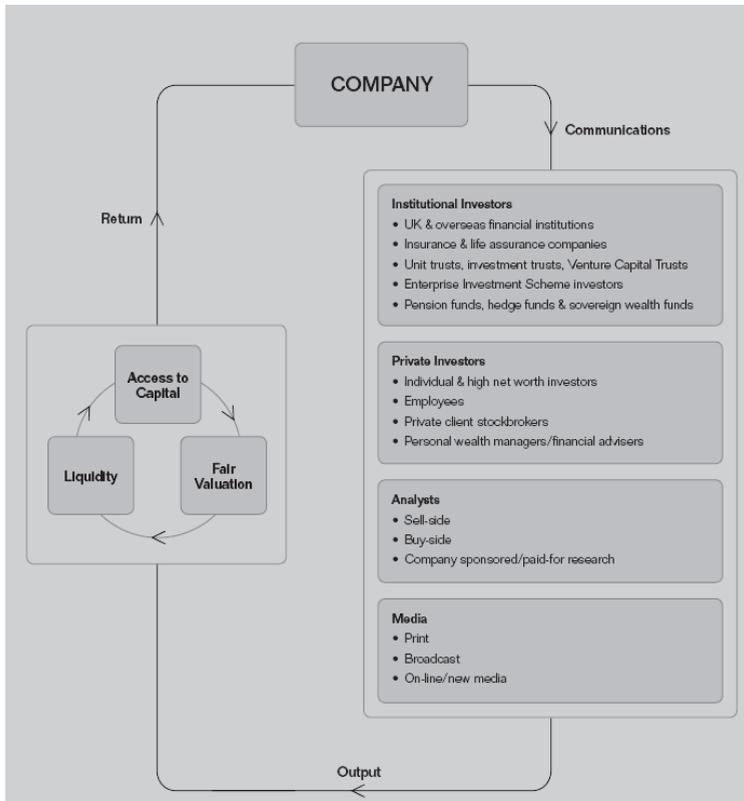
Fundamentally, the remit of investor relations is not only to create an awareness and understanding of a company amongst the investment community, but also to help quoted companies gain access to capital and achieve liquidity in and fair valuation for their shares.

Access to capital. The ability to raise capital and the ease with which that capital is raised are often seen as key measures of how successful a company's investor relation efforts are. Entering into a dialogue and developing relationships with the investment community over time, so that its participants become cognisant with the company and its investment propositions, is generally seen as a worthwhile exercise when trying to achieve efficient, cost-effective access to capital.

Liquidity. One of the outcomes quoted companies aim for from their investor relation activities is to attract liquidity – frequency of trading in their shares. Profiling and explaining the company to the investment community on a continual basis can assist in creating greater awareness of a company. Depending on the availability of shares, this can then assist a company in attracting pools of buyer and sellers and in having the potential for higher frequency of share trading.

Fair valuation. Similarly, one of the other main goals of investor relations is for a company to achieve a fair market valuation, ultimately reflected in the share price, by managing expectations in relation to the company's current and future performance. Communicating to and with the investment community will enable a company to detail its own record of its performance and its strategy using publicly disclosed information. It will also help a company to understand how it is being evaluated and whether or not the market's expectations towards and understanding of the company are in line with its own.

Figure 2: Financial public in the UK and goals of investor relations



Source: London Stock Exchange, 2010.

7. INTERNET DISCLOSURE AND INVESTOR RELATIONS

Generally, companies disclose important corporate information at their shareholder meetings and provide that information to their audiences through different types of traditional printed materials such as annual reports, interim reports, semi-annual reports, quarterly reports, etc. (Froidevaux, 2004). The traditional printed materials for transmitting information are losing their significance for users because they are less timely compared to the Internet, as they are published in a specific time period. Portes and Rey (2000) have also argued that traditional paper-based printed materials for transmitting information have become very expensive, as there has been a considerable increase in global investment and investor numbers. To communicate with a wide range of users

with paper-based printed materials is not only difficult but impossible. The disclosure medium dictates what is to be disclosed, and when and how.

According to Debreceeny et al. (2002), there are two types of disclosure regime, the periodic disclosure regime and the continuous disclosure regime. In the periodic disclosure regime firms are responsible for making in-depth analysis about their performance. Generally firms use traditional paper-based printed materials for periodic disclosure, while in the continuous disclosure regime it is necessary for firms to disclose information as it occurs. The Internet has been considered the most efficient way for firms to disclose real time information, and thus clearly links to continuous disclosure. Nonetheless, the Internet can also be efficiently used for periodic disclosure. Whether it is a continuous regime or a periodic regime of information disclosure, the Internet plays a significant role (Debreceeny et al. 2002). Geerlings et al. (2002) stated that the Internet can be used as medium to provide investors with the materials that are traditionally paper-based, and also offers new opportunities to communicate by presenting and publishing a wide range of information. Gowthorpe and Flynn (1997) argued that traditional paper-based information disclosure will soon be replaced by on-line and real time information on the Internet. Debreceeny and Gray (1999) predicted that in the near future the Internet will become the primary means of communicating company information. According to Deller et al. (1999), providing information on the Internet reduces the cost of communication compared to traditional printed materials. The Internet facilitates the speedy communication of information at a low marginal cost relative to the other available alternatives (Rowbottom et al., 2005). Internet-based dissemination can reach a wider variety of audiences than the traditional paper-based materials (Rowbottom et al., 2005), which leads to improved communication efficiency and quality by reaching more people with less effort (Deller et al., 1999).

In their study, Lymer et al. (1999) found that, among the largest 30 companies in Australia, Germany, North America, Sweden, and the United Kingdom, almost every one of them already used the Internet for corporate reporting. The majority of the largest listed companies in developed countries have corporate websites on which they disclose various information, and it is assumed that disclosure from the companies takes place when they find it convenient. Several studies have found that recently dissemination of corporate information via the Internet has increased significantly, which suggests that companies find disclosing information over the Internet convenient. The Internet can be treated as an efficient and effective medium for disclosing corporate information (Rowbottom et al., 2005) and considered as a comprehensive instrument for a company's

business operations as well as investor relation activities (Deller et al., 1999). The Internet has been used as a very important tool or medium for corporate reporting and investor relation activities since the early 1990s (Rowbottom et al., 2005). Kuperman (2000) argued that the Internet has a significant impact on investor relation activities.

The Internet as a medium for corporate reporting and investor relation activities is changing as a result of rapid developments in the communication industry (Geerlings et al., 2002). According to Ashbaugh et al. (1999), companies' websites represent a distinct category of communication. The Internet, with its incredible capability (global reach, versatility, interactive capacity, and speed), is shaping the relations between companies and investors (Bonson and Escobar, 2003). The Internet offers the facility to supply well-equipped information to all interested users so that they can make timely investment decisions. According to Deller et al. (1999), the Internet enhances disclosure timeliness. According to Ettredge et al. (2001), the main objective of the use of the Internet for investor relation activities is to provide comprehensive and timely information that previously was available only to a few interested users. The increasing number of users (individual and institutional investors, customers, competitors, communities, employees, trade associations, suppliers, government, political groups, and other stakeholders), speed, security of communications, and low cost enable companies to obtain competitive advantage. The Internet allows companies to provide real-time and customized information to the users (Bonson and Escobar, 2003). It enables corporations to provide information in more innovative ways (Jones and Xiao, 2004) and also in large volumes. These incredible features (speed, flexibility, security, wider user coverage, and low cost) have a significant impact on the various information users (Gowthorpe and Flynn, 2001). Generally, the Internet is best considered as a potential solution to some well-recognized problems of general purpose reporting (such as lack of customized information, users' common and different information needs, companies' limited willingness and ability to provide customized information). The Internet enables more customized information for its users, which provides them with their various information needs and tastes (Jones and Xiao, 2004). The option for searching information and the extensive appearance of information on the website allow companies to add value in their information disclosure. Searching for information on the Internet not only enables investors to have information on demand but also satisfies their hunger for information (Bonson and Escobar, 2003). Hedlin (1999) described three distinct stages of company investor relation activities on the Internet (Geerlings et al., 2003), which are described in the Table 2. According to Geerlings, in stage I companies provide the information that is already accessible

through other mediums and mainly provide stage II and stage III information for investors.

Table 2: Three stages of investor relation activities on the Internet

First stage: Various types of reports	Second stage: Press releases and other information services	Third stage: Internet featuring activities
Corporate annual reports (current and historic) Balance sheets, profit and loss account statements, cash flow statements Environmental and social reports Various sustainability reports	Press releases Financial calendars Share price information Organizational structure	Providing hyperlinks and internal search options Presentation of data in different formats Multilingual pages option E-mail access to IR department Providing regular updates to mailing list subscribers Providing answers to FAQ Company executives' presentations

Source: Hedlin (1999)

Disclosing on the Internet may have some disadvantages in corporate reporting, such as information overload, lower information quality, and lack of security (Jones and Xiao, 2004). Debreceeny et al. (2002) argued that the Internet's unlimited capacity to store information might result in information overload. Groves (1994) reviewed 25 large US companies and argued that the huge amount of disclosed information reduced its value. Out-dated information or lack of timeliness can also be a drawback of Internet disclosure (Hussey et al., 1998). Misleading presentations of information and disclosure of un audited financial information also address the quality issues of Internet disclosure. Companies could be reluctant to provide real-time information, as real-time disclosure of information on the Internet requires regular maintenance, which consumes a significant amount of time and cost. According to Gowthorpe and Flynn (1997) and Hussey et al. (1998), producing misleading or unclear information and selective information could be other limitations of Internet disclosure. The presence of fraud may present a security issue with Internet disclosure (Baker, 2002). The risk of information overload takes place when a company posts lots of information that lacks quality. This happens if the web site is not frequently updated with current information. These risks may also come from outside the

company, because it is possible to collect lots of information from outside which may lack quality and create information overload. Although there are various issues with using the Internet for investor relations-related information sharing, at the present time there is no other efficient and effective alternative available. The inception of the Internet was seen by companies as a lucrative tool for information sharing. The transition from traditional paper-based materials to Internet-based information disclosure became a necessity due to cost advantages, reliability, speed, and flexibility. The Internet is and will remain the most prominent medium for investor relations and information sharing in the future.

8. E – COMMUNICATIONS WITH INVESTORS

One of main ideas that runs through corporate social responsibility (CSR) is transparency, i.e., clearly showing the current state of affairs and the company's future intentions. To survive in a changing business environment the company must satisfy the needs of various interest groups, i.e., the stakeholders, among whom are the investors, that is, the shareholders and stockholders. Thus we enter the public relations (PR) arena. The era of "e-communications" began in the 1990s with wider Internet usage. With the change in ways of communicating, investors' needs also changed (Cole, 2004). Previously investors or other interest groups could obtain company information in written form or by talking directly with the company's authorised manager. The possibility of a company's data being 'on-line' and available on a company's Internet page changed investors' habits (Guimard, 2008). In order to maintain their position in the market, companies must lead with proactive strategy and foresee possible demand and changes in the market. This is how major companies work, such as Microsoft, which prepared a list of the most frequently asked questions and answers on its web pages, enabling web casting conferences and prepared presentations (Investor Relations Business, Special Report, 2003). Using the Internet in relations with investors not only brought Microsoft lower costs 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 that active usage of Internet presentations for communicating information to investors also provides them with communication media. In other words, investors can make inquiries via e-mail, define data they want to receive by newsletter, engage in a conference, etc.

Figure 3: Standard forms of e-communication with investors

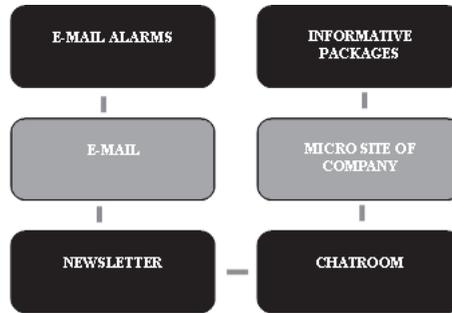
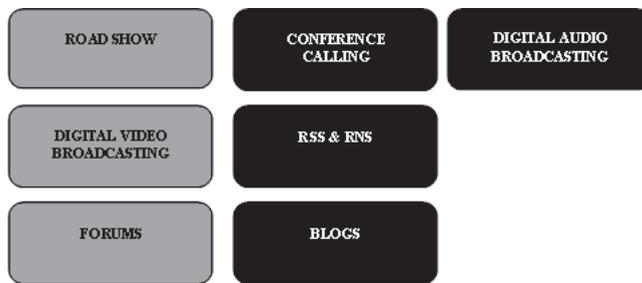


Figure 4: New ways of e-communication with investors



Source: Argenti, Barnes, 2009

A growing number of researches show that electronic forms of communication have increasing priority in the implementation of communication programmes. The reasons are manifold (Argenti and Barnes, 2009). An electronic database

- Enables the company to reach the widest group of investors, analysts, brokers and other financial public;
- Provides timely information;
- Gives individual investors the ability to receive information at the same time as institutional investors;
- Lowers communication costs;
- Has a message selection option.

According to annual studies of the Swedish financial consultant firm Hallvarsson & Halvarsson (H&H), corporate sites are still the leading source of information

for analysts and the media, despite the growing role of social media (www.halvarsson.se, 2010).

- According to their 2009 research, 90% of analysts, the media, investors, and professional journalists consider corporate Internet sites the most important source of financial information of companies whose securities are listed on the stock market; 77% of investors confirmed that companies' Internet sites have the most influence on their opinion; 74% of investors use micro-sites for investor relations at least once a week and 30% use them daily;
- The majority of companies have placed corporate movies, presentations, and web casts with transcripts;
- Only about 3% of companies actively use a blog as a form of communication, and
- 90% of companies have their own Internet sites which include parts that refer exclusively to investors.

Nevertheless, in spite of the focus on e-communication, direct meetings with company representatives are the most popular means of communication for professional investors. And besides all the aforementioned forms of communication, the phone is still the most popular method for information exchange between company and investor.

9. METHODOLOGY AND RESEARCH FRAMEWORK

We used explorative research, realized at the beginning of 2010, with content analyses of the Internet presentation of leading companies listed on the Belgrade stock exchange. Exploring each individual market (20 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 stock market in the previous two years. The companies considered were ranked in the stock market indices Belex 15 and BelexLine (Table 3.). Within the companies' Internet presentations, three categories of importance for investors and the entire financial public information were considered, as shown in Table 4.

Table 3: Companies in our research, listed on the BSE

BELEX 15/BELEX LINE
NIS a.d. Beograd
Imlek a.d. Beograd
Aik banka a.d. Niš
Komercijalna banka a.d. Beograd
Energoprojekt holding a.d. Beograd
Soja protein a.d. Bečej
Metalac a.d. Gornji Milanovac
Tigar a.d. Pirot
Univerzal banka a.d. Beograd
Agrobanka a.d. Beograd
Bambi Banat a.d. Beograd
Galenika Fitofarmacija a.d. Zemun
Messer Tehnogasa.d. Beograd
Alfaplam a.d. Vranje
Vital a.d. , Vrbas
Mlekara a.d. Subotica
Informatika a.d. Beograd
Carnex a.d. Vrbas
Dunav osiguranje a.d. Beograd
Veľefarm a.d. , Beograd
Telefonija a.d. , Beograd

Table 4: Researched categories of importance for investor information

I WEB SITE	II INFORMATION FOR INVESTORS	III TOOLS FOR INVESTORS
Home page (I) Investor relations (IR) Corporate social responsibility (CSR)	Contacts (C) Financial reports (FR) Ownership structure (OS) Media (M) Stock values (SV) Management (MGT) CSR Board of directors (BD) Business profile (BP)	Blog (B) Audio (A) Video (V) RNS (RNS) RSS (RSS) Webcast (WBC) Newsletter (NL) Power point (PPT) E-mail (E) PDF Mobile (MOB)

Our research instrument is based on the CIFAR study (CIFAR, 1995) and on the national and European regulations in the field of business reporting. As a

research method we use content analysis to study the homepages of the sample companies developed from the Weber model (Weber, 1985). In the first stage of our study we define our own list of variables (Table 5) starting from the CIFAR study and Hendlin classification regarding Internet disclosure for investors (Hendlin, 1999).

In the first stage we include companies which published annual, interim, and quarterly current reports and reports from previous years (with all their components) in electronic format. In this stage the Internet is used as an alternative medium to provide information that is already available through other sources. The information provided is not specifically directed at investors. The list of variables that measure the extent to which companies are part of this stage contains five elements.

In the second stage the Internet is used more directly for better communication with investors, as an alternative communication channel. Information such as press releases, financial calendars, organizational structure, external links for analysts, and information about share price and dividends are also disclosed on the company website or secondary websites. Our list of variables that measure the extent of the second stage in companies also contains five elements.

The third stage is the most advanced: companies use specific advantages offered by the Internet that enable them to contact or inform investors more easily, rapidly, or in different ways that are not possible using traditional communication channels. Advantages such as multilingual homepages, sitemaps, internal search engines, hyperlinks, the use of cookies, direct contact via e-mail and mailing lists, access to video or audio recordings of meetings, and online participation in meetings are specific to the Internet, and listed companies from developed capital markets often use them. In our variable list we take into consideration eleven elements to determine how many companies are at the third stage of investor relations.

Table 5: 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	B, A, V, RNS, RSS, WBC, NL, PPT, E, PDF, MOB	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:

$$ScorIR = \sum_{i=1}^{20} IR_i \quad (1)$$

We use a composite index for measuring the investor relation stage (Chavent et al., 2006; Marston and Shrivess, 1991). 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.

10. DATA AND RESULTS

The results of the web site analyses of Serbian companies listed on the stock market and in the scope of representative stock market indices have shown huge differences in investor (as the company’s key stakeholders) information approaches. The difference between the use of digital tools and the Internet as an investor communication media is evident. The main differences are the following:

Investors’ Internet Page

Serbian companies have no such page (0%). It is interesting that 13.6% of the considered Serbian companies have no site at all, meaning they are not present on the Internet, which is unacceptable in the modern business context.

Share Value and Historical Share Value

Only 36.4% of Serbian companies (of 86.4% companies present on the Internet) show current share values and historical share values for specific periods on their sites.

Contacts

Only 9.1% of analysed Serbian companies have presented the company’s management team and persons responsible for specific areas of business which are of importance to investors on their site. Many companies have no complete list of contacts (phone, e-mail) for managers that could be of interest to investors and the general public.

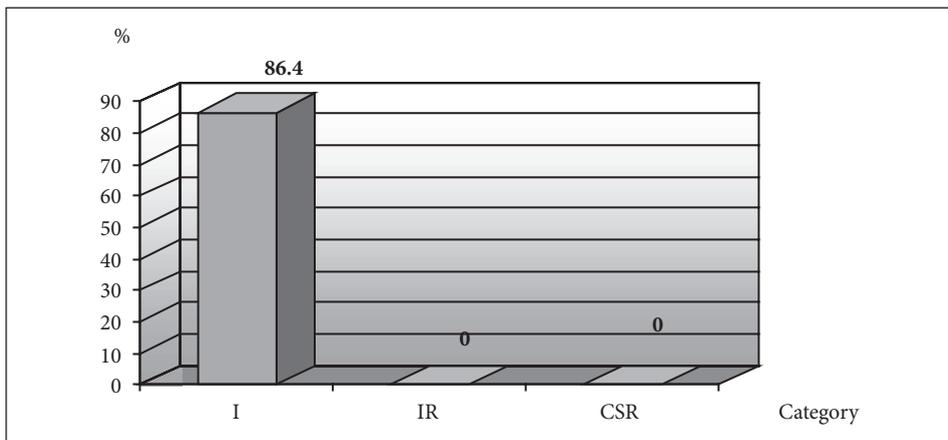
Tools for Investor Communication

There is a great lack of their use in Serbian companies: there is no record of presence and use of Power Point Presentation, audio content, web conferences,

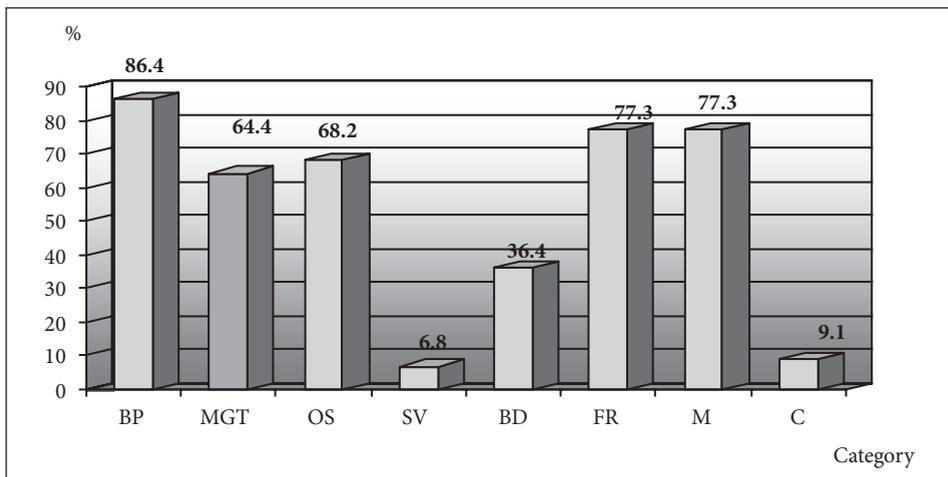
blogs, RNS services. To communicate with investors and other interested parties Serbian managers mostly use e-mail documents in pdf format, and there is scarce use of video technology. Increasingly apparent is the use of the RSS service, due to the fact that the Belgrade stock exchange includes this in its range of services for investors and brokers.

Complete results of the web site analysis are shown in Graphs 1, 2, and 3.

Graph 1. Analysis of companyweb sites



Graph 2. Analysis of information for investors



Graph 3. Analysis of web tools for investors

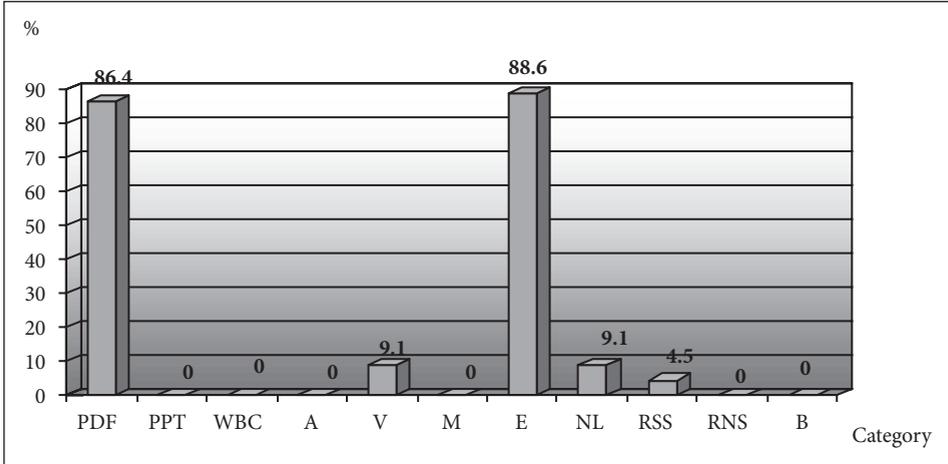


Table 6: Results of IR research by stage

	SRB
First stage <i>Companies that use Internet as an alternative publication media</i>	0.864
	0
	0,091
	0.773
	0.773
Second stage <i>Companies that use Internet for investor communication</i>	0.682
	0.068
	0.644
	0.364
	0.864
Third stage <i>Companies that exploit Internet features</i>	0
	0
	0.091
	0
	0.045
	0
	0.910
	0
	0.886
0.864	
0	

Table 7: ScorIR of Serbian listed companies

	SRB ScorIR
First stage	0.501
Second stage	0.524
ird stage	0.254

From our descriptive and comparative analysis of the investor information disclosed on the Internet by the companies listed on the Belgrade Stock Exchange we find that 50% of the Serbian companies are at the first stage and the majority (52%) are at the second stage. This means that BSE listed companies are using the Internet for disclosing information and less for communicating with their investors. Only 25% of the analysed companies are using the advantages the Internet offers for investor communication. Among the possible advantages they prefer the facility to offer information in different languages and direct contact with investors via e-mail.

CONCLUSION

As we can see from the presented analyses, Serbian managers still prefer reports in written form and direct, physical contact with investors. However it is good to know that over 86% of Serbian companies own an Internet site and use e-mail to communicate with interested parties (88.6%). In recent years financial reports in pdf format have also become increasingly available, as well as media conferences in many of the analysed Serbian companies. What is also noted, and which falls far below world standard in investor relations, is the total absence of investor-dedicated pages, and the total absence of information on Serbian companies' corporate social responsibility. Over 60% of Serbian companies do not show price range and share trading in specific periods on their Internet sites. It is also interesting that when it comes to exploiting the available information tools, Serbian managers use Power Point Presentations, audio and video messages, web conferences, etc., very little (or not at all). This maybe because Serbian managers are still insufficiently literate in IT, or because they are inflexible in the face of business innovation; which could be the subject of entirely different research.

The goal of the presented research on the quality of relations between domestic 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 Belgrade Stock Exchange 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 fulfil the expectation of the investing public, and their organisation and maintenance should be thoroughly planned;
- Investor relation activities in the Serbian 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.

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SERBIAN PUBLIC COMPANIES AND INVESTOR RELATIONS ON THE INTERNET

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