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Abstract

Management of investor relations is of utmost importance for a company that raises capital for its operations and projects in the capital market. Investor relations is a function through which the company develops investor confidence in the company and its business operations by establishing a continuous flow of information from the company to the investors on the basis of which investors can make an informed decision about investing in that company, and a flow of information from the investors to the company on the basis of which the company can draw conclusions on the requirements, needs and expectations of investors. Since this is an interdisciplinary function of the company, professionals with a broad range of knowledge and skills work in investor relations. This paper identifies the required knowledge and skills that are minimally required in order for a person in investor relations to be able to fulfil the basic task of this function, the purpose of which is to develop investor confidence in the company and its business operations in order to secure access to investor capital for the company.

Keywords: Investor relations, knowledge and skills in investor relations, investor confidence, information flow, two-way communication

1. Introduction

Each company present in the market manages various relations that it establishes with all relevant stakeholders in these markets; these are primarily suppliers and consumers, creditors, investors, employees, the environment in which the company operates and/or at which it appears, governments and other authorities, the general public and the media (Hašček, 2015: 1207), but also all the other stakeholders who at some point become *interesting* or relevant (sufficiently important, if not crucial!) for the company and its operations.

Management of the investor relations function is of crucial importance for a company that raises capital for its operations in the capital market, since it is through investor relations that the company develops the confidence of investors (both current and potential) in the company and its operations, and this confidence is the key factor for securing access to investors' capital at a reduced cost. Namely, investor confidence, on the one hand, positively reflects on their investments in the company – the shares of the company become more attractive to investors, which then positively reflects on the company's market value and consequently on the investors' return on investment. On the other hand, investor confidence allows the company to correct (irrational) expectations that investors have in relation to the company's performance and to adjust the investors' requirements towards the company with the company's (realistic) capabilities.

Building and maintaining investor confidence is based on open two-way communication between the company and investors, which ensures a timely and continuous flow of information from the company to the investors on the basis of which investors can make an informed decision on investing in that company, and a flow of information from the investors to the company on the basis of which the company draws conclusions on the requirements, needs and expectations of investors.

It can be said that timely provision of necessary information to investors for the purpose of building and maintaining investor confidence in the company and its operations is the key task of investor relations, and that providing the company with access to investor capital is its ultimate goal.

Professionals working in investor relations have a central place in this two-way communication. They determine the company's relationship towards the investors, thus shaping the investors' relationship with the company and affecting their willingness to invest in the company. Therefore, their role in securing capital resources for the company is unquestionable.

In order to be able to quickly and reasonably respond to the investors' demands (pressures!) for information on the one hand, and to protect the company interests on the other, it is indisputable that professionals in investor relations in today's complex capital market need to have a wide range of knowledge and skills. This paper will identify the key knowledge and skills that are minimally required in order for a person in investor relations to be able to fulfil the basic task of this function, which is to acquire and retain investor confidence in the company and its operations. Since the tasks of investor relations are interdisciplinary, the knowledge and skills needed by professionals in investor relations are also interdisciplinary.

2. Definition of investor relations

The US *National Investor Relations Institute – NIRI*[1] defines investor relations as "a strategic management responsibility that integrates finance, communication, marketing and securities law compliance to enable the most effective two-way communication between a company, the financial community, and other constituencies, which ultimately contributes to a company's securities achieving fair valuation"[2].

British *Investor Relations Society – IRS*[3] defines investor relations as "communication of information between a company and the investment community", stating that "this process enables a full appreciation of the company's business activities, strategy and prospects and allows the market to make an informed judgement about the fair value and appropriate ownership of a company"[4].

According to the London Stock Exchange (2010: 7)[5], investor relations is "an ongoing activity" through which companies are "interacting with existing shareholders, potential investors, analysts and journalists".

Investor relations could also be defined as a company function whose tasks are determined by establishing relationships with investors (both current and potential), which are aimed at building and maintaining investor confidence in the company and its business operations, with the aim of securing access to capital and determining fair market value of the company's shares (Hašček, 2015: 1210).

Two-way communication between the company and the investor is the fundamental determinant of the above definitions of investor relations, where NIRI went the furthest, defining it as a component of strategic management, thus practically determining it as one of the key functions for the business operations of the company.

Regardless of the precision and/or comprehensiveness of the above or any other definition of investor relations, it is indisputable that its tasks within each company will depend, or be determined depending on the requirements and goals that the company wants to achieve on the one hand, and the investment public on the other.

3. Historical overview of the development of investor relations

The role and importance of investor relations and the need to manage this relationship have evolved with the development of the world's capital market. As the capital market became more complex and more accessible to a greater number of investors and a greater number of different profiles of these investors, and as the investors' demands (pressures) for information about companies and their business operations became more frequent and varied, companies had to be able to appropriately respond to these increased demands in order to develop the

confidence of these investors in the company's business, thus securing sources of funding for their future projects (Hašček, 2015: 1208-1209).

According to Laskin (2008)[6], historical development of investor relations can be divided into three eras: the communication era (1945-1970), the financial era (1970-2000) and the synergy era (after 2000).

3.1 The communication era (1945-1970)

Investor relations as a separate function began to develop in the 50s and 60s of the 20th century in the United States when, as a consequence of strong economic development after World War II, a large number of companies sought sources of funding in the capital market (Laughran, 2014: 35). The origin of the investor relations profession can be dated back to 1953 when General Electric established a position that was in charge of communication with the company's shareholders (Laskin, 2008).

Since, at that time, relations in the capital market were a novelty for the majority of its participants, especially for the investors themselves, quality communication from the company to the investors was the necessary requirement for the knowledge and skills required in investor relations, primarily communication about the company's financial and business results. As most of the communication at that time was conducted through print media, people who came from the journalist profession were in charge of investor relations in the majority of cases (Laughran, 2014: 35), and their main task was to publish the company's name in the newspapers (Laskin, 2008).

The flow of information in this era was one-way: directed from the company to the investors (ibid.).

3.2 The financial era (1970-2000)

With further development of the capital market, financial intermediaries began to appear on the capital market in the 70s and 80s of the 20th century – investment and pension funds, which employed investment advisors, investment bankers and other financial experts who managed investors' investments (Laughran, 2014: 35). This change in the trend of the investors' method of investing (from investors' independent investing in companies towards investing in companies through financial intermediaries) (Laskin, 2008) necessarily led to a change in the trend in requirements for the knowledge and skills required in investor relations. Since people in investor relations now communicated predominantly with professionals employed in the financial industry (primarily analysts), financial knowledge was the most sought after for work in investor relations (Laughran, 2014: 35).

During the 90s of the 20th century the capital market expanded strongly – numerous investors and different types of funds participate in the market, and a large number of different types of complex financial instruments are being developed. Likewise, more and more companies are entering the capital market in search of capital necessary to finance their business and projects (ibid.). It is because of this large number of new companies that competed with each other for investors in the capital market, on the one hand, and a large range of different investment choices available to investors on the other, that the ability to attract and direct investors towards themselves became of crucial importance for companies (Laskin, 2008). In this new environment, in addition to previous financial communications with analysts, investor relations received an additional task in the field of financial marketing, whose main purpose was to build the investment public's awareness of the value and position of the company (Laughran, 2014: 35).

In this era, the communication became two-way; in addition to the companies' communication towards investors, companies started to become aware of the need to collect (feedback) information from investors, and they started to develop open access towards investors. However, in this era, companies still did not use the information collected to change their behaviour; instead, it was used solely for the purpose of better "selling" the company to investors in order to achieve the highest market price of the company's shares (Laskin, 2008).

3.3 The synergy era (after 2000)

In the late 90s of the last century and early 2000s, regulations related to the capital market began to develop strongly, which sought to catch up with the evolution of financial markets in an institutional manner (Laughran, 2014: 35). The regulatory arrangement of financial markets is carried out in order to ensure the equal position of all the participants in those markets, with particular emphasis on the protection of investors in terms of availability of information on the basis of which they make their

informed decisions on investments, and on consumer protection in relation to various and complex financial products and services offered to them on these financial markets. These efforts aimed at the regulatory arrangement of relations in financial markets have received additional confirmation and justification by the occurrence of a series of financial scandals that marked the transition between the 20th and the 21st century[7]. Since regulations related to the capital market started playing a key role, becoming an indispensable factor in creating capital market relations, knowledge of these regulations has become one of the necessary preconditions required in investor relations (ibid.).

The major (unexpected) financial scandals of the early 21st century and the negative consequences that these scandals had on the confidence of investors in the companies they invested in, have made the transformation of investor relations into one of the most important strategic management functions in the company, which now necessarily combines both financial and nonfinancial aspects (Li, 2015: 12). In this period, two-way communication gets its full meaning; companies base their key decisions and strategic planning at the highest organisational levels on information received from investors, and the goal is to achieve fair market value of the company's shares (Laskin, 2008).

3.4 The role and task of investor relations today

Company management today perceives investor relations as a key process for acquiring capital at the lowest cost possible, i.e., a function that is essential for the survival of the company (Laskin, 2008). Attracting and retaining the investors' capital represents a continuous challenge and effort for the company; in these ongoing efforts to secure the required capital, investor relations plays the key (sometimes crucial!) role. Namely, in addition to reducing the valuable time that company management needs to make decisions, investor relations also contributes to fair market valuation of the company, reduces borrowing costs, and provides a shareholder base which will remain "faithful" to the company in bad times (London Stock Exchange, 2010: 5). It is for these reasons that the ability to access capital and the ease with which the company acquires it are often taken as the key indicator of performance of investor relations managers (Laughran, 2014: 35).

In order for investors to make a decision to invest in a company, they have to believe that they have all the information necessary to make an informed investment decision and that this information is credible (Laughran, 2014: 35). The task of investor relations is to ensure this "belief" of investors. Healthy communication of the company towards investors ensures their understanding (and acceptance) of the company's market value regardless of their (current) expectations and needs (Laskin, 2008). A thorough understanding of the company and its business operations ensures long-term involvement of investors in its further operations, through investment of their capital in the company.

It can be concluded that today in investor relations it is necessary to possess and permeate all the knowledge and skills that were individually significant in some of the previously described eras of capital market development, as well as new knowledge and skills which became necessary as a consequence of globalisation, technological progress, the demands of investors, the complexity of the financial system and regulatory frameworks.

4. Knowledge and skills of professionals in investor relations

Since investor relations plays a key strategic role in the company – the one that secures capital for the company's business operations, it is in the company's interest that it is organised in a way that will ensure efficient work of the investor relations department, which will be staffed by professionals who will establish and maintain efficient two-way communication between the company and the investors, analysts, media and other relevant capital market stakeholders, who will acquire and retain the confidence of investors in the company and its business operations, and who will ensure determination of the fair market value of the company's shares.

Since the tasks of investor relations are interdisciplinary, the knowledge and skills needed by good professionals in investor relations are also interdisciplinary. Namely, in today's conditions of globalisation and development of complex financial markets, the existence of different profiles of participants in those financial markets, the increasing demands of capital market regulators and the ever-faster flow of information, professionals in investor relations today must have a wide range of knowledge and skills

and be able to simultaneously perform different tasks with the same ease and workmanship.

Making conclusions about this range of knowledge and skills that professionals in investor relations need to have is based on: 1) analysis of the content of definitions of investor relations of recognised worldwide associations of professionals in investor relations and of the content of educational programmes that they organise, 2) identifying the information that investors require from companies as a basis for making their informed investment decisions and which are prescribed as mandatory by capital market regulations, 3) determining the types of tasks investor relations is responsible for and the types of activities it performs, 4) recognising the goal(s) that companies want to achieve through investor relations and 5) taking into account the situation on global financial markets and technological advances, primarily in terms of ways of communication.

Starting from the above defined criteria, it is concluded that the knowledge and skills that a professional in investor relations must have come from the following six areas: law, finance, nonfinancial information, capital market, marketing and communication. The same knowledge and skills are also considered as crucial by Palizza (2013a)[8].

A concrete description of the content and scope of the identified knowledge and skills is given below, in terms of the tasks for which investor relations is responsible, stating the relevant foundations based on which conclusions were made on the required content and the scope of knowledge and skills in investor relations.

4.1 Law – the legislative and institutional framework

The basic mutual rights and obligations between companies and investors are regulated by laws, primarily those in the fields of company law and the capital market (Hašček, 2015: 1211). Palizza (2013a) states that everything in investor relations is determined by laws. He states that, although regulatory requirements may vary by jurisdiction, the basic requirement in all jurisdictions regulating the capital market relates to the information that a company is (minimally) obligated to communicate to investors on a periodic basis, to the time and place of communication of such information and to the reasons for communicating information, and that therefore understanding the regulatory requirements and the consequences of acting in accordance with these regulatory requirements is critical for managing investor relations properly.

The legal aspect of investor relations can be observed: 1) through the knowledge and skills of the legislative framework (knowledge of relevant laws regulating the capital market, takeover of joint-stock companies, company law, accounting, auditing, branch legislation of the industry the company belongs to, etc.) and 2) through the knowledge and skills of the institutional framework (knowledge of relevant institutions of the capital market: the capital market regulator, stock exchange, depository, other competent authorities, etc.).

4.1.1 Legislative framework (in Croatia)

One of the fundamental principles of shareholders' (investors) rights is the right of all shareholders to, under equal conditions, have an equal position in the company (Companies Act, 2015: Article 211)[9]. This principle is based on the legal right of shareholders (investors) to be informed of all aspects of the company's business, especially if that is necessary to judge issues that are on the agenda of the general assembly (ibid.: Article 287).

Regulation governing the capital market and the conduct of participants on it also applies to the companies that raise capital on the capital market. The basic legal obligation of the company on a regulated market[10] (stock exchange) is to disclose all the information about the company and its business based on which investors make their informed investment decisions. This information is referred to in European law as regulated information[11] (Capital Market Act, 2016: Article 398, paragraph 1, point 4)[12]. When communicating (disclosing) this regulated information to the public (investors), the company must respect the principle of equal position of all investors in the company and ensure that all regulated information is simultaneously available to all investors with the same content, so that investors would not be placed in an unequal position in relation to the information they receive (Hašček, 2015: 1212-1213).

4.1.2 Institutional framework (in Croatia)

Companies present on the capital market enter into different relationships with different stakeholders on that market (institutional investors, deposito-

ries, regulated markets, competent authorities). It is therefore necessary to know the rights and obligations of all the stakeholders on the capital market, so that investor relations is able to regulate its relationship with each of these stakeholders in a way that ensures that all of the company's obligations are fulfilled in the prescribed manner and within the prescribed deadlines.

Since behaviour of companies on the capital market is regulated by laws (especially in the segment of disclosure of regulated information), the influence of the legal aspect on investor relations is particularly pronounced in cases when the company does not fulfil its obligations in the prescribed manner or within the prescribed deadlines. In such situations, companies should be prepared for measures that may be taken against them by the capital market competent authority[13]. One of such measures is disclosure to the investment public that the company does not comply with its legal obligations to disclose regulated information. Although such a measure is used precisely in order to protect investors, because it seeks in a dissuasive manner to ensure that the company discloses legally prescribed information based on which investors make their informed investment decisions, it, on the other hand, negatively reflects on the company's reputation in general and undermines investor confidence, which is the fundamental objective of investor relations (Hašček, 2015: 1213).

4.2 Finance – financial reporting, analysis and communication of financial information

Since the ultimate goal of investor relations is to enable to determine the fair market value of the company's shares, the necessity of financial reporting, based on which investors can make their informed investment decisions, is understandable, but also the necessity of knowledge of financial reporting and analysis by professionals in investor relations in order to be able to provide reasonable responses to investors' requests.

Therefore, the financial aspect of investor relations can be observed: 1) through the knowledge and skills related to financial reporting itself (knowledge of compiling, content, deadlines and places of publication and availability of financial information), 2) through the knowledge and skills of understanding financial reporting (financial analysis), and 3) through the knowledge and skills of communicating financial information to investors and analysts (ways of communication).

4.2.1 Financial reporting (in Croatia)

The importance of financial information for investment decisions is indicated by the fact that the obligation to publish financial information (especially financial statements), and the content, deadlines and manner of publication of such financial information, are prescribed by law (Hašček, 2015: 1211). Companies whose shares are admitted to trading on the regulated market (stock exchange) in Croatia are obliged to prepare and compile annual, semi-annual and quarterly reports (Capital Market Act, 2016: Articles 401 to 410).

A good professional in investor relations should possess the knowledge and skills that enable a thorough understanding of the company's financial statements and how they are compiled, as well as understanding of other financial information that is based and/or derives from these financial statements (Palizza, 2013a).

4.2.2 Financial analysis

In order to be able to communicate on equal terms with financial analysts and to be able to provide a reasonable answer regarding the company's financial position (current or future, expected) at the investors' request, a good professional in investor relations should have knowledge and skills about different indicators and models that are used in assessing the value of the company and its shares.

Such knowledge and skills are particularly pronounced in companies that are exposed to significant shareholders' requests (pressures) for information, and in companies whose shares are characterised by volatility (Stuart, 2016)[14].

4.2.3 Communicating financial information

Companies communicate their financial information through their statements; the best known and most common form of presenting financial information is the annual report. Namely, while sub-annual financial reporting is directed primarily towards short-term investments, annual financial reporting is directed towards a permanent base of shareholders who observe investment in the company on a long-term basis. Therefore, the preparation and presentation of the annual report need to be approached seriously.

Observed from the perspective of investors and analysts, who are the primary audience for the annual report, the basic objectives that need to be met by this annual report are: to inform and educate shareholders (both current and potential), state the strategy and explain how it is implemented, report on the (non)performance of the business in the observed period in the context of the set strategy and market conditions, indicate and explain the risks and factors that may affect the performance of the business, provide direction and clearly indicate the important elements of corporate governance and explain the interconnectedness of decision-making in accordance with corporate governance rules with business performance and strategy, and fulfil the prescribed and other regulatory obligations (Investor Relations Society, 2013a: 2)[15].

It should be noted that the annual report, apart from communicating with investors and analysts, should also be seen as an opportunity to build the corporate reputation of the company in relation to all other relevant stakeholders: consumers, business partners, employees and the local community (ibid.: 3).

4.3 Recognising the importance of other nonfinancial information

In order to ensure fair market value of their shares, companies must also offer other, non-mandatory information to investors (Laskin, 2008).

Nonfinancial information that companies provide to the investment public, apart from the laws and rules of the regulated market (stock exchange), is also governed by corporate governance codes[16] and internal acts of the company. Companies may also additionally disclose other information, either the information companies have estimated to be of particular relevance for investors, or certain information that investors have requested to be made available by the company. Based on the quantity and quality of this additional information, conclusions can be drawn about the company's level of openness towards investors and the quality of work of investor relations in that company (Hašček, 2015: 1213).

A good investor relations professional should have sufficient knowledge and skills to be able to properly and timely assess which of this additional information and in which content needs to be communicated to the investment public. The most requested nonfinancial information communicated by companies to the investment public is information on strategy, top management, corporate governance, social responsibility, ethics and sustainable development.

4.3.1 Strategy

Information on corporate strategy is the most significant and most commonly communicated nonfinancial information. Since it focuses on the future earnings potential of the company, it is extremely valued by investors (Laskin, 2008).

4.3.2 Information about top management

This information represents regular information that is always available to investors. Investors want to know the basic information about the people responsible for managing the company, its operations, setting up strategy and planned projects; they want to have information about their education, experience, results, plans, integrity. Only with this information can investors make comprehensive conclusions about the justification of the achieved business results and the objectivity of the set goals. It is therefore quite understandable that information about top management can be of great importance, if not crucial for investors' perception of the company's operations[17]. In such cases, professionals working in investor relations must have exceptional communication skills in order to successfully deal with the investors' assumptions and expectations, which are then brought into question.

4.3.3 Corporate governance

The positive effects of corporate governance on the company's business, its competitiveness and the ability to access investor capital need not be particularly emphasised. The importance of good corporate governance was particularly emphasised by the outbreak of the global financial crisis in 2008; it is considered that the lack of application of appropriate corporate governance principles contributed to the emergence of the financial crisis (European Commission, 2010: 2)[18]. Looking at corporate governance in the context of investor relations, a good investor relations professional should have knowledge of all aspects of corporate governance and the way in which the company "lives" them, and the ability to communicate about the influence of corporate governance on the company's business.

4.3.4 Social responsibility, ethics, sustainable development

Corporate social responsibility, the companies' ethical behaviour and focus on sustainable development are gaining increasing importance as factors that investors take into account when deciding on investing in a company. In today's conditions of financial instability, inadequate capital resources, risk and uncertainty of doing business and damaged investor confidence in the capital market, these factors may very well decisively tip the scales. A good investor relations professional must have sufficient knowledge and skills to identify those investors to whom this information needs to be communicated and to recognise the right moment to communicate this information to the investment public. This may be particularly challenging for investor relations professionals in companies that *do not nurture* these values; investor relations professionals in those companies will be faced with the need to find explanations (justifications!) to investors for the reasons for failing to act in accordance with the highest socially responsible standards of behaviour and business conduct.

4.4 Knowledge of the capital market

Knowledge of how the capital market functions is crucial for investor relations professionals; understanding market relationships, liquidity, volatility, the auction market and other factors affecting the trading of the company's shares are necessary for everyone working in investor relations; knowledge of the key *players* in the market of the company's shares, the ways in which they exchange information and communicate with each other, and how to obtain information about them in the shortest possible amount of time are necessary for successful work of investor relations (Palizza, 2013a).

The greater the knowledge about the rules of the functioning of the capital market, the faster and more reasonably will investor relations professionals recognise the importance of specific information and its impact on the investor's decision to invest in the company's shares.

4.5 Marketing

When talking about marketing in the context of investor relations, it usually concerns directing the company's marketing activities to seek and attract new investors; the task of investor relations professionals is to create demand for the company's shares by targeting those investors that the company wants as its shareholders (Laughran, 2014: 36).

Identifying and segmenting key investors, understanding what they base their decisions on and managing investor relations from these marketing aspects can enable predicting the impact of strategic decisions on share price shaping, and consequently on the value of share capital (Coyne, Witter, 2002).

Therefore, it is of utmost importance that a good investor relations professional possesses sufficient knowledge and skills of financial marketing, in order to be able to influence investors in the subtlest possible way, i.e., their demand for the company's shares (Laughran, 2014: 35).

4.6 Communication

The primary responsibility of investor relations is to communicate information about the company to investors and to convey information about the investors' mood to the company's management; investor relations listens (and eavesdrops) to questions from investors and gets a sense how investors perceive the company and management performance (Laughran, 2014: 35). By recognising, shaping and timely communicating information to investors, the company ensures the ability to adjust the interests and expectations of investors to its own interests and capabilities (Hašček, 2015: 1217). Therefore, successful communication management is the key to the success of investor relations.

Communication in investor relations can be observed through knowledge and skills in terms of: 1) ways of communication, 2) communication channels and 3) communication participants (Palizza, 2013b)[19].

Regardless of the ways, forms and participants of communication, investor relations must absolutely make sure that the information based on which investors make their investment decisions is communicated simultaneously to all investors (in order to respect the principle of equality of all shareholders and the right to simultaneous access to information) (Hašček, 2015: 1218).

4.6.1 Ways of communication

Investor relations communicates with investors verbally and in writing (including communication by electronic mail) (Palizza, 2013a).

Oral (verbal) communication is conducted from the broadest (appearances on television and radio, interviews and conference calls), over medium (speaking at conferences and seminars) to personal communication (meetings, phone calls) (ibid.).

Written communication includes all forms of traditional communication with investors: disclosing of regulated information, publishing newspaper articles, annual reports. Since this is communication where the disclosed content is under the control of the company, it represents the most useful way of communication towards investors as it enables the company to present detailed and complex information (ibid.).

Electronic communication, besides communication by electronic mail, also includes communication through other electronic means, such as publishing information on websites or social networks controlled by the company. The development of electronic communication has removed the temporal and geographical barriers in communication between the company and the investor, thus placing new challenges before investor relations with regard to the timeliness of responding to investors' requests (ibid.).

4.6.2 Communication channels (places of communication)

The company regularly communicates with its shareholders at the *general assembly;* the organisation and conduct of the general assembly is an extremely responsible and challenging task, since at the general assembly shareholders exercise their fundamental right – the right to vote. With the development of electronic forms of communication, companies today are able to provide electronic voting to their shareholders (*remote voting*); since the need for the physical presence of shareholders at the company's assemblies has been eliminated in this way, this provides the possibility to increase the geographical dispersion of the company's shareholders, which consequentially makes holding of general assemblies an even more challenging and thus also an even more responsible task.

Typical company communication with institutional investors involves *communication at meetings, which are usually held one-on-one*. In such direct communication, the company obtains information about expectations regarding its business of those investors for whom it has assessed (and determined) to be crucial and/or which have a significant ownership share and thus necessarily have to be considered crucial by the company. Investor relations professionals have a key role at such meetings, they take care that information which is not available to other investors and other investment public is not disclosed at these meetings (Laughran, 2014: 36).

Company *websites* are most often the first place that investors visit when searching for information about the company and its business operations (Investor Relations Society, 2013b: 1)[20]. It is therefore in the interest of companies that their websites have a special part intended for investor relations. This part of the website should contain basic information about the company and its management; mission, vision and goals; the company's financial statements and other current news, information about corporate actions (holding the general assembly, dividend payment, recapitalisation), data on corporate governance, corporate social responsibility and sustainable development, and, obligatory, investor relations contact information (Hašček, 2015: 1218). Likewise, companies should view their websites as a means to build a story about the company, its strategy, its position in the industry to which it belongs, and its impact on social trends.

Companies with a responsible approach to communication particularly take into account the existence of *social networks* as well as blogs and forums, which have open company pages, at which, whether they like it or not, companies are being discussed (Investor Relations Society, 2013c: 1)[21]. Involvement in communication on social networks should be viewed from the positive side: it can expand the availability of communication to potential investors, increase the company's involvement with existing investors and analysts, improve the control of data exchange and increase visits to the company's website (ibid.). Namely, by engaging in social media, companies can monitor what is discussed about them, and in case of misinformation they can publish a correction and direct social network users to company websites which are under their control (ibid.: 2).

The importance of social networks is also confirmed by the fact that the US SEC[22] has allowed companies to publish their regulatory and other information via social networks such as *Facebook* and *Twitter* if investors were previously informed on which social networks companies would publish this information[23].

4.6.3 Communication participants

In addition to establishing communication with investors, investor relations must also establish communication with other relevant stakeholders in the capital market, as well as with the relevant organisational units of the company that support investor relations with information about the company's business (Hašček, 2015: 1216).

The communication that the company establishes *outside the company*, besides the basic communication – that with investors (both current and potential), includes communication with other relevant stakeholders in the capital market (capital market competent authority, stock exchange, depository, investment firms, credit institutions, analysts, media), but also with other stakeholders relevant for the company and its business (consumers, local community, etc.).

Communication that investor relations establishes *within the company* includes communication with finance, marketing, production, legal department, public relations and direct communication with the company's management. In order for this communication to be successful, investor relations must understand the role and significance of each of these functions separately and their impact on the overall business of the company, and identify which information from these functions is required (or desirable) to communicate to investors.

5. Conclusion

Investor relations in companies that raise capital on the capital market has a strategic role in securing the company's access to investor capital.

In order to fulfil its basic tasks – building and retaining investor confidence in the company and its business, investor relations is responsible for establishing two-way communication between the company and investors; this responsibility implies the ability to respond to all requests for information placed by investors, both current and potential, and the ability to adjust the interests and expectations of investors to the interests and capabilities of the company. Successful investor relations ensure the ability to determine the fair market value of the company's shares.

In order for investor relations to permanently fulfil its fundamental task, professionals working in investor relations must have a wide range of various knowledge and skills, primarily those in the fields of finance, law and capital market, marketing and communication. The knowledge and skills include, among others, excellent communication abilities, business and crisis communication, understanding financial statements and interpretation of financial indicators, preparing materials for publication (statements, denials), communication with the capital market competent authority and the regulated market (stock exchange), implementing corporate actions, organising the general assembly, corporate governance, business ethics and corporate social responsibility.

Good investor relations professionals should be able to develop confidence of the investment community, but also of its management, which provides them with the necessary information and to whom they convey demands of the market, which they ensure by a wide range of interdisciplinary knowledge and skills identified in this paper.

***Disclaimer**: Andreja Hašček is an employee of the Croatian Financial Services Supervisory Agency. The views expressed in this paper are those of the author and do not necessarily reflect the views of the Croatian Financial Services Supervisory Agency.*

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(Endnotes)

1 NIRI (United States) is the world's leading association of investor relations professionals responsible for communication between companies' management, shareholders, analysts and other financial stakeholders. NIRI was founded in 1969, and today it has more than 3,300 members working for over 1,600 public companies with US$9 trillion in stock market capitalisation (for more information, see: https://www.niri.org/).

2 Available at: http://www.niri.org/FunctionalMenu/About.aspx (Accessed on: June 24, 2016)

3 IRS (United Kingdom) is one of the largest European associations of investor relations professionals, established in 1980. Today, the IRS has around 750 members, including those professionals who come from investor relations of most of the FTSE 100 companies (for more information, see: http://www.irs.org.uk/).

4 Available at: http://www.irs.org.uk/about/definition-of-investor-relations (Accessed on: June 24, 2016).

5 London Stock Exchange (2010), "Investor Relations – A Practical Guide", available at: http://www.londonstockexchange.com/home/ir-apracticalguide.pdf (Accessed on: June 24, 2016)

6 Laskin, A. (2008), "Investor Relations", available at: http://www.instituteforpr.org/investor-relations (Accessed on: July 09, 2016)

7 The most famous financial scandal is probably that of *Enron*, which occurred at the end of 2001 – the US energy company ended up in bankruptcy after it was discovered that for years it has been concealing billions of dollars in losses from various contracts and projects in its financial statements. After the scandal broke out, *Arthur Andersen*, the audit firm that audited *Enron's* financial statements also collapsed; the US SEC revoked its license to audit companies listed on the stock exchange. *Arthur Andersen* was one of the five largest audit firms in the world at the time. As a consequence of the *Enron* scandal, a new regulation was adopted in the United States (the *Sarbanes-Oxley* Act), which increased the requirements for accuracy of financial statements of companies on the stock market and tightened penalties for the destruction, alteration or creation of false data during federal investigations, and for attempts to defraud shareholders; requirements regarding the responsibility of audit firms have also been increased in order to maintain impartiality and independence from clients (see more details in: Laughran, T. (2014), "The Next Generation: Investor Relations. The Evolution of IR. Journal of Integrated Marketing Communications", available at: http://jimc.medill.northwestern.edu/wp-content/uploads/sites/9/2014/02/JIMC_2014_Investor-Relations-2.0.pdf, accessed on: June 24, 2016)

8 Palizza, J. (2013a), "The Five Pillars of Investor Relations", available at: http://www.corporate-eye.com/main/5-pillars-investor-relations/ (Accessed on: May 03, 2016)

9 Companies Act (2015), Articles 211 to 300, Official Gazette of the Republic of Croatia No. 111/1993, 34/1999, 121/1999 – authentic interpretation, 52/2000 – Decision of the Constitutional Court of the Republic of Croatia, 118/2003, 107/2007, 146/2008, 137/2009, 125/2011, 152/2011, 111/2012, 68/2013, available at: http://www.zakon.hr/z/546/Zakon-o-trgova%C4%8Dkim-dru%C5%A1tvima (Accessed on: June 24, 2016)

10 Regulated market within the meaning of Article 3, paragraph 1 point 20 of the Capital Market Act (Official Gazette of the Republic of Croatia No. 88/08, 146/08, 74/09, 54/13, 159/13, 18/15, 110/15 and 123/16) shall mean a multilateral system for trading financial instruments which is operated and/or managed by a market operator (stock exchange). Definition of regulated market is determined by Article 4(1) (21) of MiFID II (*Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU* (recast)).

11 Regulated information within the meaning of Article 395, point 4 of the Capital Market Act (Official Gazette of the Republic of Croatia No. 88/08, 146/08, 74/09, 54/13, 159/13, 18/15, 110/15 and 123/16) include annual, semi-annual and quarterly financial reports, information on the acquisition and disposal of own shares, investors' major holdings notifications and inside information. This definition

of regulated information is an alignment with Article 2(1)(k) of the Transparency directive (*Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC*).

12 Capital Market Act (2016), Articles 395 to 448, Official Gazette of the Republic of Croatia No. 88/2008, 146/2008, 74/2009, 54/2013, 159/2013, 18/2015, 110/15 and 123/16, available at: http://www.zakon.hr/z/171/Zakon-o-tr%C5%BEi%C5%A1tu-kapitala (Accessed on: June 24, 2016)

13 Croatian Financial Services Supervisory Agency (Hanfa) is the capital market competent authority in the Republic of Croatia. Hanfa was established in 2006 by the Act on the Croatian Financial Services Supervisory Agency (Official Gazette of the Republic of Croatia No. 140/05 and 12/12).

14 Stuart, A. (2016), "New Set of Skills Sought for Investor Relations: More companies are turning to Wall Street analysts and other seasoned financial hands", available at: http://www.wsj.com/articles/new-set-of-skills-sought-for-investor-relations-1456798033#:fC6S9tAFaFFLoA (Accessed on: June 24, 2016)

15 Investor Relations Society (2013a), "Best Practice Guidelines – Annual Report and Accounts: printed and online", available at: http://www.irs.org.uk/files/Annual_Report_and_Accounts_-_printed_and_online.pdf (Accessed on: June 24, 2016)

16 Corporate Governance Code applicable to companies with securities admitted to trading on the Zagreb Stock Exchange (ZSE) was drafted in 2007 by ZSE and Croatian Financial Services Supervisory Agency (Hanfa); the Code was revised in 2010. (available at: http://www.hanfa.hr/getfile/6627/Kodeks%20korporativnog%20upravljanja.pdf (Accessed on: June 24, 2016)

17 Probably the most famous case of key top management information in recent history is the one of the late chief executive officer of Apple, Steve Jobs; it is about his public appearances at which he looked too thin, which immediately prompted speculation about his health, and then consequently led to consideration of the impact of such presumed impaired health status on the future performance of Apple (see more details in: Laskin, 2008: available at: http://www.instituteforpr.org/investor-relations/, accessed on July 09, 2016)

18 European Commission (2010), "Green Paper, Corporate Governance in Financial Institutions and Remuneration Policies", available at: http://ec.europa.eu/internal_market/company/docs/modern/com2010_284_en.pdf (Accessed on: June 24, 2016)

19 Palizza, J. (2013b), "Investor Relations and Communications Channels", available at: http://www.corporate-eye.com/main/investor-relations-channels/ (Accessed on: May 03, 2016)

20 Investor Relations Society (2013b), "Best Practice Guidelines – Corporate websites", available at: http://www.irs.org.uk/files/Corporate_websites.pdf (Accessed on: June 24, 2016)

21 Investor Relations Society (2013c), "Best Practice Guidelines – Using Social Media in an IR context", available at: http://www.irs.org.uk/files/Using_Social_Media_in_an_IR_context.pdf (Accessed on: June 24, 2016)

22 SEC – Securities and Exchange Commission is the US capital market regulator; for more information, see: http://www.sec.gov/.

23 Available at: http://www.sec.gov/News/PressRelease/Detail/PressRelease/1365171513574 (Accessed on: June 23, 2016)

Andreja Hašček

ZNANJA I VJEŠTINE PROFESIONALACA U ODNOSIMA S INVESTITORIMA

Sažetak

Za kompaniju koja kapital za svoje poslovanje i projekte prikuplja na tržištu kapitala od iznimnoga je značaja upravljanje odnosima s investitorima. Odnosi s investitorima su funkcija putem koje kompanija razvija povjerenje investitora u kompaniju i njezino poslovanje uspostavljanjem kontinuiranoga protoka informacija od kompanije prema investitorima na temelju kojih investitori mogu donijeti informiranu odluku o ulaganju u tu kompaniju i protoka informacija od investitora prema kompaniji na temelju kojih kompanija može zaključivati o zahtjevima, potrebama i očekivanjima investitora. Budući da se radi o interdisciplinarnoj funkciji kompanije, u odnosima s investitorima rade profesionalci koji imaju široki spektar znanja i vještina. Ovim radom su identificirana ona znanja i vještine koja su minimalno potrebna kako bi osoba u odnosima s investitorima bila u mogućnosti ispuniti osnovnu zadaću ove funkcije, onu kojoj je svrha razvijanje povjerenja investitora u kompaniju i njezino poslovanje kako bi kompaniji osigurala pristup kapitalu investitora.

Ključne riječi: odnosi s investitorima, znanja i vještine u odnosima s investitorima, povjerenje investitora, protok informacija, dvosmjerna komunikacija