



Merging Old & New Economies

by Pam Lagano

This summer, I had the privilege of participating in a five-day workshop on “Issuer and Investor Relations” in Warsaw, Poland. The Financial Services Volunteer Corps (FSVC), based in New York, and CeTO, the Central European Table of Offers, co-sponsored this ambitious program. Its purpose was to introduce public and soon-to-be public companies in Poland to the fundamentals of investor relations from a communicator’s standpoint, as well as issuer relations from an exchange’s point of view.

FSVC was established in response to the historic events in Central Europe and the former Soviet Union only a decade ago. Recognizing that healthy financial market infrastructures are required if free markets and civil societies are to flourish, FSVC mobilizes the expertise of financial professionals to assist countries making the transition to market economies. CeTO, recently acquired by the Warsaw Stock Exchange, is a regulated off-Exchange market encompassing a small number of securities, mainly shares in smaller companies, along with municipal bonds.

The main institutions of the Polish capital market are the Warsaw Stock Exchange, which organizes both cash and derivatives markets, and the National Depository for Securities, which handles clearing and settlement on the regulated market and maintains securities in the form of computer records.

CeTO, currently composed of approximately 20 member companies, is dedicated to providing smaller and medium-sized companies and debt issuers the opportunity to list and publicly trade their securities by offering easy access through less stringent listing requirements, low costs for listing and market makers committed to liquidity.



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My cohort in this venture was Sonja Caison, Nasdaq’s director for issuer relations. Over a two-day period, we presented to our Polish colleagues modules on developing an investor relations program, disclosure, corporate governance, technology in IR, media relations, discussion of the buy side and sell side, and IR for internal audiences.

This ambitious program was conducted on a backdrop that blended the last remnants of communism with the emergence of a country into a free-market economy. It was a fascinating experience. Below are excerpts

from the diary I kept during my too-short of a stay in Poland.

Day 1—Introductions

Arrived in Warsaw. Met with Chris Martin, regional director for FSVC, and Sonja Caison to discuss the week’s activities and expectations. Martin debriefed us on the attendees and the expected outcome of the conference, and also mentioned that the Polish people are very eager to explore ways to effectively compete in the capital markets.

Day 2—Strategies

Met with CeTO management and received an overview of the market, background of CeTO member companies, the strategic focus for Polish businesses and the short-term economic outlook. We then strategized on how to gain maximum benefit from the conference and surrounding activities, and discussed steps CeTO management could take to increase its brand awareness.

Only in existence since 1996, CeTO is facing many of the challenges any startup company would. Initially, the organization had problems convincing companies of its

value and membership benefits. CeTO weathered this situation and is stronger, but still faces the reality of a downturn in the economy, as well as the challenges of attracting new issuers and competing effectively in the capital markets. Its member companies look to CeTO for support and advice.

I found it interesting that an average CeTO stock entered the market without an IPO and had no minimum listing requirements—no minimum value of issue, book value, number of shareholders or stock price.

Day 3—On Stage

Knowing I would be indoors all day, I started my day with a walk through Old Town Warsaw, which

rival the newest buildings in New York. The juxtaposition was obvious. This new exchange, with Old Town just around the corner, crystallizes the conflict Poland is facing: how to blend the old and the new to allow the country to become a successful player in the world's economy.

The conference room was a scaled-down version of what you would expect to see in one of our major exchanges, equipped with all the high-tech accoutrements. The one big difference was a translation booth in the back of the room.

The start of the conference was delayed 15 minutes because the president of CeTO was late. (This was the first clue that Poles don't share our obsession with time.) The audience of

new quickly came into play. A discussion about how companies could compete more effectively in the capital markets revealed that the audience was hesitant to interact—a throw-back, we were told, to training under communism. Gradually, after each module of our presentation, more and more individuals began to loosen up and participate.

Sonja and I approached the subject matter with enthusiasm but were later taken aside and told by FSVC director Martin and CeTO representatives that Polish people consider Americans naïve, overly optimistic and highly energetic. That helped to explain many of the reactions we received that morning.

Most of the afternoon was spent covering basic IR theory, followed by a panel discussion focusing on four scenarios that might arise between IROs and the media. As the audience began to get involved, it became a very interactive session. My “planned” interaction during breaks and lunch proved invaluable because it allowed me to call on “volunteers” by name.

The Poles offered positive comments after this first day. I was told that the panel discussion was effective, although this format is not often used in Poland because of the hesitancy to participate. A woman employed by a PR firm commented that Polish companies are reluctant to confide in consultants because they are not corporate employees. Again, the blend of the old and the new: Polish companies recognize the importance of outside consultants but limit the value of those contributions, because they fear breaches in security. As a consultant, I explained that I regularly work with senior management and am considered part of the executive team as we work toward a common goal.



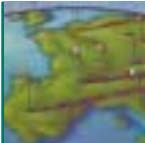
Participants at the “Issuer and Investor Relations” workshop in Warsaw. From left, Jacek Konopa, Piotr Wisniewski, Pam Lagano, Chris Martin and Sonja Caison.

dates from medieval times. Eighty percent of Warsaw was destroyed during World War II. Even though the architecture of many of the buildings reflects the communist influence, Old Town is a delightful blend of cobblestones, antique and other small shops and reconstructed medieval buildings.

From there it was a brief walk to the Warsaw Stock Exchange, a modern glass and metal building with state-of-the-art technology that would

approximately 75 was composed of representatives of public and aspiring public companies, public relations professionals, CeTO employees, financial community representatives and the media. It was interesting to note that women made up almost half of the audience.

Sonja was the morning speaker, and she is obviously an effective, talented public speaker. However, the difference between the old and the



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I also spoke with three individuals who worked for a major Polish bank. They had found our presentations very informative but were more interested in telling me about their unusual situation—one of their shareholders owned more than 90% of the bank. Even though their situation was atypical and they were limited in what they could do, they wanted to participate in the conference and its exposure to the vast realm of investor relations.

Reflecting on the day's presentation, I realized that tomorrow I would have to take some risks in order to increase the amount of interaction with the audience.

The day was capped off by a Fourth of July celebration at the home of the U.S. ambassador to Poland, Christopher Hill. More than 400 people were on hand for the festivities. It was odd to see so many foreign dignitaries, decked out in military uniforms, surrounded by their bodyguards.

Day 4—Act II

Today's audience was slightly larger. We were told this was a good sign, as word had spread about what we were presenting and that it was worthwhile to attend!

I kicked off my portion of the day with a response to a common misconception of our audience. I admitted that some Americans are overly optimistic, but unless you have a real passion for your profession, your company and your industry, you are doomed to failure. You have to believe in your company, recognizing its weaknesses but building on its strengths. After this session, a participant told me that it was good to have enthusiastic speakers, because it demonstrated what could be accomplished with the right attitude.

The modules today were interspersed with mini-case studies in

investor targeting, strategic counsel and investment-community research. During these sessions, as well as during the "IR for Newly Public Companies" module, I called upon the audience for information, building on what we had learned the previous day about strategic planning and some of the tactics that can be



implemented to meet the hypothetical objectives. I still had no volunteers, but once they were called upon, they were happy to respond. This made for a lively discussion.

At the end of the day, Sonja and I were inundated with requests for copies of our presentations, additional questions and appreciation for our efforts. As we exchanged e-mail addresses, we were asked if we would

be coming back so they could continue learning. We were sorry to end this portion of the trip, because we had been so gratified with the impact of our presentations and the interaction we were fortunate to have had with the audience.

The conference was a great learning experience for me, as well. It reinforced all the reasons sound IR practices work—most members of the audience were employed by companies that don't have a strategic approach to IR. Many said they were planning to meet with senior management in the hope of setting new objectives and goals.

Day 5—On the Road

Today Sonja and I traveled to the south of Poland, a five-hour trip by car, to meet with senior management (presidents and CFOs) from two manufacturing firms. We were accompanied by the president of CeTO, Piotr Wisniewski, and Monika Bombik, FSVC European program assistant and translator for the trip.

It was a marketing-oriented goodwill trip for CeTO, but it provided Sonja and me with the opportunity to discuss their investor relations concerns. Their primary issue was how to attract new investors. As we discussed this universal concern, it again became evident that some old world challenges had to be faced.

We had heard that Poland is a very paternalistic society. During our meeting, the president of one of the companies asked Wisniewski in Polish about our credentials. In other words, he wanted to know what made us—as women—think we knew enough to give advice. This same gentleman asked if, when reporting financial numbers, the correct figures had to be reported. I was surprised to hear this question but was told later that most

Polish companies keep two sets of financial records.

But back to the oft-repeated question from this group: How can we get people interested in our stock? Since we could not provide an easy answer to this complex question, they got frustrated. What we were suggesting may work in America, they said, but it wouldn't work in Poland. They did not see the value of an IR plan or taking a focused approach to the subject. It was a frustrating day for us, too.


Day 6—Reflections

Since our trip was drawing to a close, Sonja, Chris Martin of FSVC and I met to evaluate the week, exchanging opinions on what was accomplished and brainstorming on future initiatives.

After all our hard work and preparation, it was gratifying to discover, after surveying representatives from all groups of participants, that the conference exceeded our expectations and provided a real learning experience for attendees.

Sonja and I discussed the benefits of trying to form a NIRI chapter with the participants of this seminar. Although a challenge, it would add value to Polish public companies as well as the country's growing economy, and it is certainly in step with NIRI's outreach efforts. Also, as FSVC begins its second decade of operation, the demand and need for its services have never been greater. Its need for volunteers has also never been greater.

The world is getting smaller. Our companies are approaching their busi-

nesses with a global perspective. NIRI has increased its membership penetration—as evidenced by the many members from outside the United States who attended the annual conference. I think each of us needs to ask ourselves what we are doing to help fellow IR practitioners in other countries improve their craft. We need to replace our old ways of thinking with the new focus necessitated by a shrinking global economy. 

Pam Lagano has more than 20 years of investor relations and public relations experience. She is founder and president of Lagano & Associates, Inc., a consultancy focusing on high-impact corporate communications. Lagano is president of the Central Florida chapter of NIRI. She can be reached at plagano@laganoassoc.com.

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