



THE WILLIAM DAVIDSON INSTITUTE
AT THE UNIVERSITY OF MICHIGAN BUSINESS SCHOOL

První Investiční a.s.
The First Investment Corporation

by Jaroslav Jirásek

Working Paper Number 19
August 1995

Comments Welcome

This working paper is a joint publication of the Czech Management Center (in Čelákovice, Czech Republic) and the William Davidson Institute. This case study is a product of a research project on "The Role of Investment Funds in Corporate Governance: The Case of the Czech Republic" funded jointly by the William Davidson Institute and the Czech Management Center. This paper represents the individual views of the author and not those of sponsoring agencies or institutions or their affiliated agencies. Comments and suggestions are welcome. Disseminated in 1996 by the William Davidson Institute with permission from the Czech Management Center and the author.



Case Study

95 - 035

>> For discussion only <<

Czech Republic

PRVNÍ INVESTIČNÍ a.s.
[THE FIRST INVESTMENT CORPORATION]

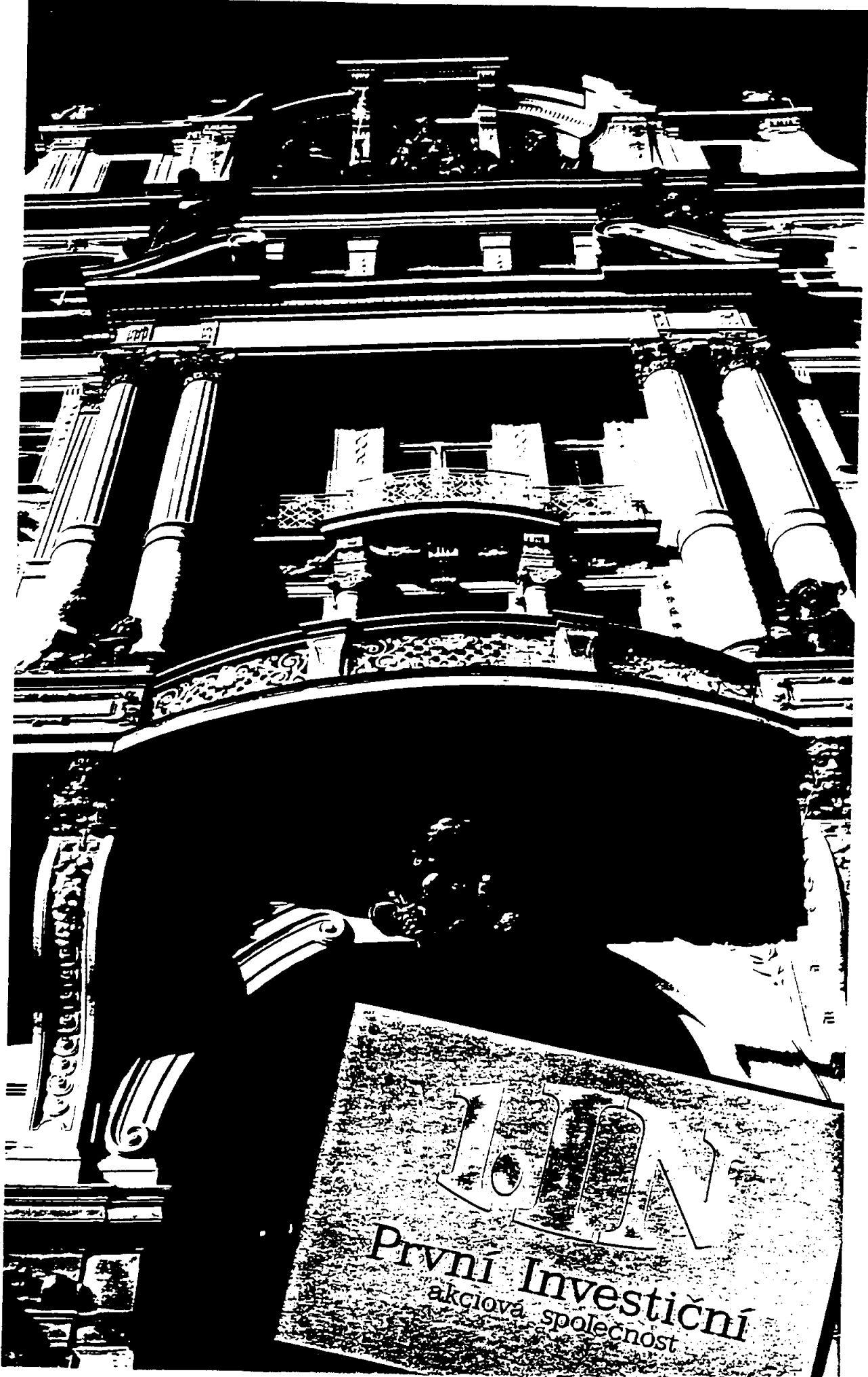
Jaroslav Jirásek

Czech Management Center

Czech Republic

August, 1995

This case study is a product of a research project on "The Role of Investment Funds in Corporate Governance: The case of the Czech Republic" funded jointly by the William Davidson Institute and the Czech Management Center. This case study represents the individual views of the author and not those of sponsoring agencies or institutions or their affiliated agencies. Comments and suggestions are welcome by the author.



UNION

První Investiční
akciová společnost

Executive Summary

Within three years, a significant percentage of the Czech economy, accounting for perhaps 70-80 percent of GDP¹ has been privatized. Restitutions of property to former private owners [or their descendents], public auctions, and, above all, the well-bred "voucher privatization" transferred almost all property to private hands at a pace which has had no rival worldwide. Among the committed instruments, it was the "investment company" which became one of the most powerful drivers of the superfast Czech privatization.

There were as many as 160 investment companies by the end of 1994, of which the "big five" occupied the dominant position. An investment company may acquire [by existing law] up to 20 % of the corporate stock. As a rule, around 60 to 70 % of total stock are held by investment companies, the rest are dispersed among small individual stockholders. [The restriction of any stockholder to one fifth of the corporation is deemed temporary and another wave of capital concentration is anticipated.]

První Investiční a.s. [First Investment Company, a.s. is a mandatory suffix in Czech, which stands for joint stock company] is historically the first such investment company, having been founded in 1990, and it is still the first in terms of capital volume and dividends paid. The brief history of the První Investiční a.s. has been marked by a vigorous growth. As of 1994, the company attracted almost 1 million clients and controls slightly less than 50 billion CZK of capital resources.

The Czech capital market is becoming more and more competitive. So far, První Investiční a.s. has been able to attain and defend its top position through its moderately conservative policy. The company has an image of seriousness, trustworthiness and respectability in all its operations.

This case study gives an insight into capital investment business in the Czech economy, its surprising success, but also its increasing problems. První Investiční a.s. has to review and refine its portfolio and prepare for more sophisticated stock trading.

Its participation in the corporate governance of companies under its control has also to be upgraded. The Company, being aware of new challenges, is strong in providing education, training and expertise for its entire staff.

¹ Estimation for the second quarter of 1995.

The První Investiční a.s. [First Investment Company]

The Story of the Leader in the Capital Investment Business

"...the time has risen the curtain, and the world is changed", wrote the national poet/writer Jan Neruda to celebrate the upheaval of 1848. His words also apply to the Czech 1990s, when the country, within no more than five years, has jumped from a communist establishment to a developed country of pluralistic democracy and a market economy.

The backbone of the whole societal transformation was the conversion of the anonymous collectivist ownership into the private ownership format. This was the departure point for the entire economic metamorphosis with altered interests, motivations, powers, rights, virtues, etc.

The pace of Czech privatization has been beyond all usual proportions. More than 100,000 property units restituted to former owners or their descendants, 22,000 small or mid-size business units sold mostly in auctions, and 1,500 big companies at 350 billion CZK or 85 % of industrial property converted into joint stock corporate setting and passed over in two consecutive stages into private hands by the end of 1994 mark the incomparable speed of the "Czech way".

Over 80 % of the adult population became stockholders. This was the highest percentage of public participation worldwide², but it was diluted and dispersed, with weak individual voting power and no expertise. Almost from the very beginning, the stabilizing role of the institutional investor was recognized. As banks were excluded from long-term ownership of enterprises, an attractive vehicle has been discovered in the "investment company".

There were as many as 160 by the end of 1994. In most industrial joint stock companies they represent the ownership majority. Under existing - but presumed temporary - restrictions, an investment company must not exceed 20 % of total general stock. The Czech investment industry is a rather effective driver of privatization and capital entrepreneurship. It is credited for having transferred around 10 % of private savings from "idle" deposits to the capital market

² The European average spans from 5 % to 15 %.

so far³ [a jump ahead in a country where private involvement in capital ventures has been virtually unknown].

From the historical perspective

Before any legal provision concerning investment enterprises was enacted, První Investiční a.s. [First Investment Co.] had been established. In 1991, it was in effect the first firm in the not-yet-constituted capital investment industry. Investiční Banka, a.s., [Investment Bank Co.] instituted [on November 27, 1990] První Investiční a.s. as its subsidiary, and provided the equity.

At the time when the První Investiční a.s. was founded, its mission was articulated as

- taking over capital investment activities which were not legally permitted to banks;
- concentrating investment capital from individuals and institutions [deposits of money, precious metals, jewels, and art objects⁴];
- empowering the Company for the forthcoming industrial privatization.

The history of the První Investiční a.s. stretches over four years so far. After a more or less intuitional development prior to the binding legislation, a new executive group was appointed in 1993 and took over the Company to steer it through the unprecedented complexities of the industrial privatization process. The milestones of growth were

The first investment fund launched	1990
Participation in the first stage of industrial privatization	1992-1993
Opening of capital market and stock trading	1993
Participation in the second stage of industrial privatization	1994
Refinement of the existing portfolio and development of a new strategy	1995
In 1992, the industrial, called "large" privatization ⁵ commenced.	

Already in 1990-1991, the legal status of former state-owned corporations was changed by default into (still) fully state-owned joint stock companies detached from the state budget and

³ The European average fluctuates around 20 %.

⁴ Artistic objects were soon excluded from the treasures of capital investment companies.

⁵ In the economic jargon of the early 1990s, privatization was divided into 1. restitutions of former private property, 2. the small privatization [auctions], 3. large privatization of industrial joint stock corporations.

confined to self-financing. The stockholding continued to rest 100 % in the hands of the Government. The corporations were governed by Managing Boards and Supervisory Boards nominated by pertinent Ministries.

In 1991, an almost complete deregulation of economic rules, especially of all prices, delivery and payment conditions, was accomplished. The corporations had to adjust to the emerging market web and business infrastructure and prove their vitality by making profit and securing a positive cashflow.

Industrial privatization was accomplished in two stages ["waves"], each with a few rounds [instrumental for balancing supply and demand] from 1992 through 1994⁶.

Voucher privatization did not create any new capital; as a matter of fact, it redistributed the existing industrial capital to citizens, drawing them into a direct participation in the capitalist process. The "something for nothing" leverage attracted the public to an enormous involvement and also had a significant impact on the elections in 1992 [with a clear victory by the right-wing Civic Democratic Party and enhanced prestige for Václav Klaus, then Prime Minister of the Czech Republic, a mastermind of the entire economic transformation].

Privatization strategies pursued by individual investment companies were marked by divergent deliberations and goals. Harvardské Fondy, a.s., [Harvard Funds⁷], a private independent investment company and a shark in the investment business, developed an aggressive policy (clearly targeted at the backbone of big industry) of reimbursing the voucher booklets in cash, on the spot. Many other investment companies followed, but with a delay (and understandably less success.) Česká Spořitelna, a.s., [the Czech SxL] decided on the most extensive distribution of its portfolio. První Investiční a.s. observed a selective and moderate strategy focused on well-researched national companies with tradition and bright prospects. Thoughtful and reliable management of stock was promised to the public, but no direct reimbursement in cash. Many small investment companies recognized their weakness and merged.

The first, more comprehensive stage of industrial privatization brought První Investiční a.s. about 712 million voucher units⁸ from 812,000 citizens. In 1992, the corporate portfolio was distributed among 266 industrial companies. Its pre-market value amounted to some 13 billion

⁶ The rest, around 15 %, mostly in utilities, transportation and communication branches, and also a few large industrial companies will require a well-planned arrangement, often with foreign capital participation. Their privatization is under way.

⁷ Has no relationship to the famous Harvard University in the USA. The founder is an alumnus of Harvard University and obviously wanted to enhance the prestige of his capital undertakings.

⁸ Every adult citizen was entitled to buy a voucher booklet with 1,000 units [points], divisible into 10 times 100 units, estimated in pre-market prices at 30 to 35 thousand CSK [Czechoslovak Crowns]. The outer appearance was similar to a checkbook. The price of the voucher booklet was approximately comparable to one-third of the average wage/salary of that year.

CSK. By the end of 1992, the corporation declared a pre-tax profit of 1.74 million CSK. Overall, První Investiční a.s. has won first place among investment companies⁹.

Since that time, the First Investment Corp. has enjoyed the image of a respectable and trustworthy capital investment business.

The early policymaking

První Investiční a.s. is a member of the Investiční Banka [Investment Bank] group.¹⁰ Being one of the five leading banks [with a minor but influential Government participation,] the Investment Bank has been from the very beginning focused on capital development and investment. However, as mentioned above, banks in this country are excluded from corporate ownership¹¹. Direct investment, portfolio administration and corporate governance functions are singled out in affiliated investment subsidiaries.

The privatization procedure occupied most of the capacity of the První Investiční a.s. during its founding period. The jurisdictional vacuum did not last long.

An Act for Capital Investment Companies was issued in 1992. The pioneering initiative of the First Investment Corp. was superseded by a construct of mandated provisions. The capital market and investment business in the Czech Republic is supported by a maturing legal, institutional and procedural infrastructure.

Not much had to be changed in the organizational setup of this corporation. The new Charter of the First Capital Investment Corp. stipulates that

První Investiční a.s. [abbreviated as 1.IN a.s. or PIAS] has to
- concentrate money by selling obligations [bonds] and organizing
property funds,

⁹ The largest among capital investment corporations was and continues to be První investiční, followed by Spořitelní investiční společnost [Czech Savings Investments], and the Harvardské fondy [Harvard Funds Investment Corporation]. The latter particularly captured public interest by a promise to instantly pay more than 10,000 CSK in cash for a voucher booklet. After a tremendous success, other capital investment corporations followed. The highest bid reached 15,000 CSK per voucher booklet. The public, puzzled at first by the unknown process of stockholding, was reluctant, but after the option to exchange the voucher booklet for cash, a spontaneous spread of voucher privatization was beyond any doubt. The First Investment Corp. did not offer any cash reimbursement, only a credit for the price of the voucher booklet.

¹⁰ There are fourteen members of this group altogether, among them a housing SxL company, a mortgage bank, stock trading company, a pension fund, etc.

¹¹ With one exception: A bank, in its capacity of creditor, may acquire a part of the debtor company, but it must find a buyer and sell it within two years.

- guarantee a careful administration of the properties entrusted and develop professionally advanced securities trading with the objective of assuring a reliable growth of outputs and the protection of the clients' interests,
- exert its authority over founding and administrating investment funds,
- perform other supportive and related activities¹²

První Investiční a.s. is prepared to continue and finalize the industrial privatization. The Company's accumulated experience promises to be a strong asset in the increasing capital market competition.

Between the first and second stage, the former Czechoslovakia was split into two independent states. Therefore, the second stage was initiated in the Czech Republic separately. The partition did not provoke any significant problem within První Investiční a.s. which was always concerned with the Czech domestic industry¹³.

By the end of 1993, the Investment Bank acquired the Poštovní Spořitelna, a.s. [Post SXL], with the tremendous advantage of gaining tellers at all post offices in the country. The bank changed its logo to the Investiční a Poštovní Banka, a.s. [Investment and Post Bank], accordingly. The parent company's merger did not directly affect První Investiční a.s., but it does entail a remarkable increase in the financial resources and reach of the entire capital group.

The second stage was started by a massive business promotion campaign. První Investiční a.s. spent about 30 million CZK on advertisements and commercials. Unlike most investment companies, První Investiční a.s. tried to address the public with meaningful, intelligent [if not sophisticated] and neatly designed appeals¹⁴, but the response was lukewarm. První Investiční a.s. preserved its position, but gains were smaller than it had been hoped. The greatest increases were captured by investment companies with exhilarating and easy consumable slogans, and, again, with cash offerings.

Over both stages of industrial privatization, První Investiční a.s. got 812 million voucher units from 933,000 citizens, thus preserving its # 1 ranking among the leading "Big Five" investment companies.¹⁵

¹² As stipulated in the Act of Investment Companies under the paragraph 2.1 and 2.3.

¹³ With one exception: its Energy fund covers the Czech and also the Slovak power network.

¹⁴ The central symbol was a precisely cut crystal as a symbol of extreme purity and craftsmanship.

¹⁵ První Investiční [First Investment], Komerční Investiční [Commercial Investment], Československá Obchodní [Czechoslovak Trade Investment], Česká Státní Spořitelna - Investiční [Czech Savings Investment], Harvarské Fondy [Harvard Funds].

**The two stages of privatization
at the První Investiční a.s.**

	I.	II.
Number of funds	13	18
Clients	812,000	933,000
Portfolio value [bn CZK]	18	47
Number of companies	260	300

In the fall of 1994 and early 1995, the stockmarket was severely hit by a depression. The pace of privatization was lost and a number of industrial companies faced various difficulties. The most affected by that drop was the best, highvalued stock. This brought about a negative effect for První Investiční a.s.: on its balance sheet of 1994, its portfolio value plummeted to around 30 billion CZK. První Investiční was not an exception, but its size augments the appearance of temporary losses.

The Chairman of the Board and General Manger explained: "...thanks to a circumspect policy we managed to ward off the entrusted property from the deep drop of stock prices which affected the whole stock market...The decline of market value of První Investiční a.s. capital was 17 % lower then the general fall of the HN-WOOD index [of that time]. Our clients are aware that our stock ranks among the most traded..."¹⁶

After the industrial privatization had been in principle finalized, První Investiční a.s. created and continued to administer eighteen capital funds. They are divided into two formats: the "shared funds" of clients, and the "investment funds", operating as independent business units organized legally as joint stock companies, as follows:

¹⁶ Losses of the least tradable stock were, as usual, the lowest.

Fund	Strategy	Value in mil CZK	Year of foundation	Remark
Development	Dividend	2,855.9	1990	
Active Reserves	Growth	107.6	1992	
Czech	Dividends	331.0	1990	
Moravian/Silesian	Dividends	112.0	1990	
Wealth	Growth	1,255.5	1991	IF,PSE
Rentiers	Dividends	1,661.1	1991	IF,PSE
Fast income	Growth	1,514.4	1991	IF
Banking	Mix	1,332.2	1991	IF,PSE
Crystal	Mix	474.4	1991	IF
Food	Mix	208.4	1991	IF
Services	Mix	595.4	1991	IF
Industrial	Mix	92.9	1991	IF
Energy	Mix	14.1	1991	IF
Restitution	Mix	9,676.0	1991	IF
Property	Mix	257.8	1993	
Regular income	Dividends	575.6	1993	
Prosperity	Dividends	569.5	1993	
Guaranteed Payback	Mix	414.7	1993	

Note: IF = investment fund, an autonomous joint stock company

PSE = quoted at the Prague Stock Exchange

Source: Annual Report 1994

The titles of the funds often reveal their specificity, e.g. Crystal is directed toward the Czech glass industry, Services toward tourism and associated trades, Industry toward core industries, in particular engineering, etc. [The Development fund is still the largest "shared fund" in the Czech Republic.] The list of funds is not unchangeable; after a review, some of them will be consolidated.

The Restitution Fund of the Czech Republic was created in 1993 to keep financial reserves for possible future restitution claims. For První Investiční a.s. this was a bargain, which heavily reinforced its leading position.

První Investiční a.s. displays an uninterrupted growth of capital investment capacity. Between 1992 and 1994, turnover grew by 323.5 %.

From the Company's Balance Sheet
in mil CZK

	1992	1993	1994
Assets:			
Fixed	55.2	111.3	114.4
Current	76.4	258.5	208.0
Other	23.2	44.3	178.4
Total	154.8	414.1	500.8
Equity	60.0	60.0	60.0
Liabilities:			
Property	-	57.4	121.8
Credits	48.7	277.9	235.7
Other	46.1	18.8	83.3
Total	154.8	414.1	500.0

All audits performed by Coopers and Lybrand, Ltd, Prague, confirm the financial statement "without reservation".

The market strategy

The paradigm of market strategy at První Investiční a.s. is grounded in the company's earnest and trustworthy behavior during the first years of capital investment business. The Company refrained from any trivial or pretentious misleading of the public. It is not known to be involved in any tricky speculation. If mistakes occurred, they were admitted and redressed. Professionalism and ethics are stressed.

The public knows První Investiční a.s. as an entrepreneurial, thoughtful and socially responsible capital investment body. Whenever opportunist occurred close to the edge of the ethical infringement of capital business, První Investiční a.s. did not make use of them without careful examination. A variety of such opportunities may be found in an economy where the capital business infrastructure is still in the making. První Investiční a.s. bets on trust.

This public image appears to be reinforced by its moderate, well-balanced publicity and responsible sponsorship activities. První Investiční a.s. supports healthcare, in particular for the disabled, social care in orphanages, and high quality cultural events.

This doesn't always seem to be the most lucrative behavior; nonetheless it pays off. První Investiční a.s. has been able to defend its leading position as the largest investment company and also its authority in the capital investment business.

The company is currently focusing on a consolidation of its portfolio. Small, sometimes fractional, stakes are offered for sale, and a concentration of capital power in selected industries and companies is endeavored. It is envisaged that the restriction to only 20 % of stock in one company will be lifted soon. První Investiční a.s. would then challenge the dominant position in some of them.

Cooperative synergy among industries and companies has not been studied sufficiently. However, since 1994, and particularly 1995, technological chains and process integration [both upstream and downstream] has been of the most closely observed strategic objectives. Capital investment experts are well aware of the potential of business cooperation for the enhancement of value added and pursue this line in their capital investment intents.

Capital investment decisions are supported by in-house as well as subcontracted expertise. A department focused on financial valuation and capital investment analysis continuously studies the positioning, yield and potential of the entire portfolio. If necessary, experts from the bank and consulting firms are invited to generate and argue crucial alternatives.

První Investiční a.s. is concerned with the high reliability of its portfolio. This is what is expected by the majority of its clients and what the company was able to provide. To date, it has been first not only in capital volume, but also in paying out the highest dividends. While concentrating on the most promising domestic companies, it strives to shape a cross-section of industries and companies to reduce risks.

To epitomize the selection of companies with the highest yield, let us examine the list of "jewels": ČEZ [České Energetické Závody, Czech Energy Works, bonds]; Biocel [a large pulp and paper company with biochemical conversion of sulfite waste]; ŽDAS [stands for Engineering Works of Žďár on the Sázava river]; Tatra [heavy off-road trucks]; Desta [forklift manufacture]; the Radegast, Prazdroj and Staropramen breweries; Spolana [a large chemical company delivering, along with basic chemical semiproducts, also high valued biostimulators and alpha-olefine for the so-called "fine chemistry"]; Setuza [stands for North Bohemian Food Oil Chemistry]; Elektro-Praga [electric home appliances]; Crystalex [fine glass]; Bižuterie [costume jewelry]; all leaders in their respective industries. As the general prosperity in the economy changes, so the investment business must shift in a more promising direction.

In the foreseeable future, První Investiční a.s. will also enter the investment venture business. As research, development, experimentation, i.e., innovativeness regains momentum in the country, venture capital will find an expanding field for promising operations.

Lately, new private capital investment companies have emerged, set up by wealthy individuals or partnerships, which take high risks in often unscrupulous businesses. První Investiční a.s. has to protect its portfolio against hostile takeovers and develop a variety of resilience measures.

The analytical and decision-making activities of První Investiční a.s. are continually expanding in sophistication. That is why the company has to be more responsible in its staffing, professional development and motivation.

Capital investment is in fact a new professional activity, and it cannot be expected that people master it only through sheer practice? A continuous program of education and training has been implemented for the whole year, with piloting topics such as best investment practices, financial analysis of companies, corporate governance and strategic management of companies, organizational transformation of companies, human resource management, computerized information services, and corporate culture.

In 1995, První Investiční a.s. implemented its code of public responsibility and ethical conduct.

Strategy and structure

With the changing strategy, structural issues gain in importance. The latest amendment is dated May 1995.

První Investiční a.s. is governed by the General Stockholders Assembly, the Board of Directors and the Supervisory Committee.¹⁷

In the ownership structure, the parent bank takes the dominant power: 82.3 % of the Company is owned by the Investiční a Poštovní Banka [Investment and Post Bank], the rest by individual stockholders and a small part [1.5 %] by employees.

¹⁷ This is a mixed model, more German and less Anglo-American. The Board consists of four members, only one - the General Manager - is also a member of the executive corporate management, the Chairman of the Board is independent, two other members are employees of the parent Bank. The Supervisory Committee has three members, one from the corporate management, two others from the parent bank. Of the seven members of the corporate governance, the majority four members are delegated by the Investiční a Poštovní Banka [Investment and Post Bank].

Of the four-member Board, the Chairman is independent; only the CEO is a Company employee, two are delegated by the parent bank. The Supervisory Committee has three members: the Chairman and one other member came from the parent bank, the third is elected by the body of employees¹⁸.

The top executive group consists of the General Manager, his plenipotentiary Deputy, and six functional Directors: for Marketing, Finance, Capital Trades, Funds Administration, and, separately Administration of the Restitution Fund, and International Relations.

The General Manager's staff consists of his Secretary [with the Press Speaker and Legal Support], Personnel Manager, Information Service [LAN], and internal Administration.

The Company recently reduced the fund administration, and developed creative business departments. These changes in corporate structure proved to be useful, but the General Manager insists: "It is the quality of people and, predominantly, they ability to work together, that matters."

There were various claims that the structure should explicitly define the rights and responsibilities of every employee. After a long lasting dispute, the formal part of the organizational structure was simplified¹⁹ while mutuality, information sharing and cooperation encouraged.

První Investiční a.s. currently has 110 employees, but staffing for the future may anticipate an increase in quality and reduction in number [by around 20 %].

Cohesion of personnel, general sophistication of the system and upgrading of everyone's skills is the focus. "There is no need to be second", says the company's mission statement.

¹⁸ One-third of corporate supervisors must be elected by employees [a legally enacted rule].

¹⁹ Of course, with exceptions where the law or high financial responsibility needs an accurate formulation.

The První Investiční a.s. Yields Compared

After the first stage ["wave"] of voucher privatization

Investment Company	Fund	Nominal Value/Share CZK	Dividend CZK	Remark
1.IN	Rentiers	1,000	160	
1.IN	Banking	1,000	120	
1.IN	Crystal	1,000	100	
1.IN	Food	1,000	100	
SIS	Breweries	1,000	100	
1.IN	Energy	1,000	70	
OB Invest	Kvanto-Yield	1,500	70	Adjusted
1.IN	Services	1,000	60	
1.IN	Industry	1,000	50	
SIS	Regular Yield	1,000	34	
ŽB Trust	1. IF	500	30	Adjusted
KIS	IPF	1,000	27	
HCC	Dividend	1,000	25	Draft
SIS	SPAS	1,000	20	
Creditanstalt	IPF	1,000	0	
Linhart	YSE	800	0	
KIS	Privatization	1,000	0	
PPF	1. IF	1,000	0	Postponed
A-Invest	IFs	1,000	0	
OB Invest	Kvanto-Growth	1,000	0	
HCC	Growht	1,000	0	
SIS	Capital Growth	1,000	0	
1.IN	Fast Yield	1,000	0	Mandatory
1.IN	Wealth	1,000	0	Mandatory

Note: Adjusted = levelled to the basic value of 1,000 CZK.

Draft = not approved as of yet.

Postponed = final decision deferred.

Mandatory = no dividends paid out in accordance with the charter.

Components of the Strategy and Factors of Success of the První Investiční a.s.

1. **Publicity** [advertisements, commercials, billboards], policy and results communication, top managers visits to outstanding clients, employees business behavior training [company representation and customer satisfaction]

Image
2. **Portfolio consolidation**
 - 2.1. Chains of companies creating, either downstream or upstream

Reinforcing value added chain, additional value created, increased profit
 - 2.2. Corporate holdings and groups

Parental competitive advantage, increased profit
 - 2.3. Cross-industrial leverage

Balanced stability
3. **Corporate governance skills**
Selection, training and evaluation of corporate directors [in-house and from outside] .
for corporations under control

Improved corporate performance, increased profit
4. **Higher capital investment skills**
 - 4.1. Venture capital investment

Superprofit
 - 4.2. Speculative securities trading

Superprofit

5. **Business extension**
 - 5.1. Domestic: regional subsidiaries
Better coverage of clientele
 - 5.2. International: securities trading, joint-ventures and subsidiaries
Extended resources and business reach
6. **Services**, such as investment advises for clients, portfolio building, brokerage
Completion of business opportunities, above average ROI yields
7. **Intellectual support**: business cycle studies, financial analyses, competitors screening, opportunities assessment, securing portfolio against hostile takeovers and business risks
Enhanced organizational performance
8. **Personnel building and development**: search for top personnel, education and training [professional knowledge and skill building], cooperative attitudes [information sharing, teamwork], motivation [individual prospects, remuneration, employees stock], commitment, evaluation [stabilization, promotion, demotion], etc.
Enhanced individual/team performance
9. **Employees satisfaction**: Ethical code of conduct, partially flexible hours, in-house social services [catering, coffee/tea breaks, fitness facilities], emergency support [family leaves, short-term loans], vacation support, etc.]
Personnel stability

První Investiční a.s. : The Institutional Structure of Corporate Governance

Boards

The Board of Directors 4 members,

responsible to investors
and stakeholders for the
corporation's activities

The Supervisory Board 6 members,

overseeing the
corporations strategy, accounting,
financial results, and the
compliance with the law

Top executive management

CEO

The Executive Committee..... 7 members,

dealing with day-to-day
management

Top corporate management

Functional managers

Fund administrators

Subsidiary managers

Services managers

(altogether 15 persons).