



How to Build & Maintain Strong Investor Relationships

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With respect to the extremely important relationships small and mid-sized firms have with their partners and stakeholders, the people who have “put their money where their mouth is” in terms of backing up their beliefs in a business with cold, hard cash, it’s important for business owners and CEOs to build and maintain strong relationships with their investor communities. Investors obviously have a vested interest in the success of the companies they invest their time and money in. Therefore, you owe it to them (and to your business) to take proactive steps toward establishing mutually beneficial relationships.

Challenges & Consequences

There are several challenges faced by many owners and CEOs when it comes to building strong relationships with their investors. These include the following:

- Like all stakeholders, investors are very anxious to see positive results in the companies in which they invest. This can create tensions between management and investors if these expectations are not met.
- In many cases companies provide a “best case scenario” financial plan to the investment community in which there are significant risks in terms of realizing this scenario.
- When the business is not making the progress investors expect, they may try to provide solutions that are less than ideal. This can be a distraction to management and hinder the company’s progress.
- If there have been multiple rounds of investment in the business, there can end up being “winners and losers” among the different investors. This can damage investor morale and end up causing friction between investors and management.

If these challenges aren’t adequately addressed, a business could face many negative impacts, including the following:

- If investors don’t have trust in the management team, they can end up sending management “chasing down rabbit holes” that distract them from the key issues facing the business.
- Investors may withhold funding, putting a successful business in jeopardy due to a lack of capital.
- If all the investors are not united, the management team may not receive the clear direction they need regarding the future of the company.
- If investors aren’t working proactively for the company, this increases risk — for both the business and the investors.

Solution: Hire an Outsourced CFO

One way to avoid these negatives is to hire an outsourced CFO services provider to help ensure strong relationships with investors. An outsourced CFO is a trained professional who can carry on continual communication with the investment community while ensuring that investors receive clear, concise and accurate financial information so misunderstandings don't occur.

An outsourced CFO can also help provide a check on the management team by making sure that the proper information is provided to investors. If investors have a clear understanding of the company's true financial and operational picture, they will be less inclined to behave in ways that can be distracting. An outsourced CFO will also have experience in capital raising to help make sure that investors not only are kept informed, but are also afforded equitable treatment.

Your company could realize many positive outcomes by hiring an outsourced CFO services provider to help ensure strong investor relationships, including the following:

- You will have the trust and confidence of your investors, which will enable management to focus on the most critical issues affecting the business.
- You will have a clearly defined operating strategy, which could lead to success in attracting even more financing — not just from your current investors, but also from new investors.
- Your management team will not be unnecessarily distracted from its core mission due to bothersome requests from investors.
- Your investors will become true partners and look for opportunities to help the company reach its full potential.

Concluding Thoughts

The relationships small and mid-sized firms have with their investors are perhaps the most important ones of all. So, it's important for business owners and CEOs to build and maintain strong relationships with the investor community. An outsourced CFO services provider can help ensure strong relationships with investors by making sure they receive clear, concise and accurate financial information so misunderstandings don't occur.

About CFO Edge

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