



Investor Relations: Not Just for Large Corporations

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Large, publicly held corporations have entire departments devoted to managing investor relations. It's the job of the investor relations department to provide both private and institutional investors with an accurate account of company affairs so they can make more informed decisions when it comes to buying and selling company shares. At many large corporations, the investor relations department also provides market intelligence to internal management.

If yours is a small to mid-sized firm, you might think that investor relations doesn't apply to your business. But if you have taken on any outside investors in your business, then your obligation to communicate with them on a regular basis is no different from the same obligation that a large, publicly held business has to its investors.

Who Are Your Investors?

Let's start by defining what we mean by "outside investors." An outside investor in a privately held business is anyone who has invested money in the business with an expectation of a financial return. Typically, this includes family members and friends as well as so-called "angel" investors. But for our purposes here, we're talking about any individual who has made a financial investment in the business.

Too often, owners of privately held businesses fail to provide their investors with the kind of information they would receive if they had invested their money in a publicly held corporation. This includes both positive and negative company information. For example:

- What are your current sales trends — are sales and revenue rising or falling?
- How about your profit margins — are they growing or shrinking?
- How do current sales and profits compare to your forecasts?
- Have you encountered any unexpected expenses that could affect sales and profits in the coming month, quarter or year?
- Is cash flow strengthening or weakening?
- Have any new competitors entered the marketplace that could threaten your company's market share?

While privately held businesses aren't required by law to provide certain information to investors like publicly held businesses are, doing so can go a long way toward increasing investor confidence in your company and your executive team's management abilities. Assuming your business is doing well, it can also give your investors additional peace of mind about the safety and security of their investment in your business.

Investor Financial Reporting

As part of your investor relations efforts, you should also provide investors with important financial reports for review on a regular basis. These may include the following:

- Schedule K-1
- Balance sheet
- Income statement
- Statement of cash flows

Engaging in investor relations is especially critical for privately held firms for the simple reason that information like this isn't available in the public realm. Even if a publicly held company's investor relations department is doing a poor job of communicating with investors, shareholders can obtain most of this information themselves by doing a little research. But your investors rely on *you* to provide timely information to keep them informed about developments that could impact the value of their investment in your business.

You probably don't need to create a full-blown investor relations department like a large public company has. Depending on the size of your company, one of your employees might be able to handle investor relations duties as part of his or her job. Or maybe several employees can work together across departments — such as finance and communications — to pull together critical information and distribute it to your investors on a timely basis.

An outsourced CFO services provider can assist in your investor relations efforts. This financial professional will help you prepare the kinds of information and reports that will keep your investors abreast of the most important developments at your company. The outsourced CFO can also serve as your investor liaison by communicating such information to your investors in a clear and concise manner.

Concluding Thoughts

Just because you own a small to mid-sized firm doesn't mean investor relations doesn't apply to your business. If you have taken on any outside investors, then your obligation to communicate with them on a regular basis is no different from the same obligation that a publicly held business has to its investors. Providing key financial information and reports to your investors can go a long way toward increasing their confidence in your business. An outsourced CFO services provider can offer valuable assistance in your investor relations efforts.

About CFO Edge

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