Nurturing Financial Relationships

Everything is finalized and now you have access to the capital you so desperately needed. Is this the end of the story? No, it’s not. It’s like childbirth: the labor is painful, but it is just the beginning of the journey. Now you have a new permanent function in your job description: ongoing relationships with your investors and continuous lenders. You have to keep them happy and protect them from regretting their decision to invest or lend.

There are three foundation blocks mandatory for establishing a rapport between a company’s financial leader and the institutions or people who entrusted their funds to him:

- Timely reporting
- Abiding by the rules (regulations, laws, policies, agreement conditions, facility provisions, etc.)
- Open-line communications

My extensive experience dealing with both private equity investors and various lenders has taught me that, when it comes to ensuring a company’s financial stability, perfecting this seemingly obvious protocol is one of the most important of the CFO’s responsibilities.
That said, I have to acknowledge the fact that building a bond with lenders, who have the power to discontinue their credit provisions at any time, is by far a more sensitive task than maintaining a working connection with investors-turned-stockholders. The truth is, even though it is difficult to get either public or private equity investment in place, the mechanics of post-closing upkeep are not that complicated.

Note We are not talking about the pressure on the business as a whole to perform, develop, and grow, which we addressed in previous chapters. That’s a given. This is a narrower topic of a CFO’s responsibilities for direct relationships with funders.

As long as the organizational progress meets the investors’ expectations, there is no need for special hand-holding. Financial analysts and business media deal with the investing public, while private funds take charge of their involvement. And if the company exhausts its potential for success, good relationships will not be able to prevent devaluation.

With lenders, on the other hand, it is a completely different story—they are not tied to borrowers by stock certificates and the corporate charter. A negative assessment of a company by a credit officer may result in non-renewal and phasing-out of outstanding balances, or, even worse, acceleration of all loans. This can have devastating impact on your company’s ability to survive. It is impossible to overemphasize the importance of keeping your lending connections content.

That is why this chapter is primarily dedicated to nurturing your relationships with financial entities that provide you with borrowing capacity. However, first, a few more words about investors.

Investor Relations

The term investor relations (IR) is primarily used to describe one of the integrated responsibilities of a public company’s CFO. It includes SEC reporting filed through the Electronic Data-Gathering, Analysis, and Retrieval system (EDGAR), security regulations compliance, and systematic communications—altogether designed to maintain effective two-way contact between the company and the financial community.

However, this concept can be easily applied to a company’s relationships with private investors as well. Essentially, the connection is maintained by