How to Provide Investor Updates the Right Way

July 1, 2020 5 min read

Opinions expressed by *Entrepreneur* contributors are their own.

Speaking to my business partner the other day, we were relaying stories of how investors have become more inclined to ask for updates now that there is an uncertainty to the economy.

“One founder was telling me that their investor has asked for weekly updates in an email format with an up to date P&L,” said my business partner. “That’s hard, because what he really wants to do is run his business and not provide updates to investors. That’s not his job.”

“Even better,” I replied, “I once had an investor send us a 10-page format complete with biographical requirements for all key hires with the option for them to stage a final interview.”

We both exchanged nervous and knowing laughter, wishing that we had read about these issues before taking on venture investment.

After completing your first financing round, smart investors will not just shake your hand and say, “Good luck.” Quite the opposite. Investors will often get involved in your business, offer advice, refer key hires and foster business development connections.

At the very least, they will ask for periodic investor updates. Meant to be “check-ups” on the health of your

business, these updates provide investors with crucial sales, financial, HR and corporate-development information. Investors know how to spot opportunities (as well as challenges), and periodic updates give them the chance to do so and make an impact.

Unfortunately, investor updates can range from merely being annoying to an expensive, time-consuming distraction. This is such a challenge for founders that an entire company, Visible, is dedicated to creating a dashboard that allows them to provide updates to venture investors.

Absent such tools, how can you ensure you are providing investor updates in the right way while simultaneously focusing on growing your business? Luckily, there are some key tactics.

First, you should create a template with an easy Green, Yellow and Red approach mapped back to specific Key Performance Indicators (KPIs). Second, you should make specific and concrete requests for investors to help. Third, you must endeavor to be honest and reveal the full scope of your company's performance and status.

Related: Everything You Need to Know to Pitch an Investor

Green. Yellow. Red.

One of the most important pieces of an investor update is its structure. How you structure the update will go a long way towards the investor's view of the company overall.

First, you must set out your company's KPIs with investors ahead of the update schedule and set a mutually agreed upon timeline for achieving them. Once you have done so, you can structure your investor update into Green, Yellow and Red sections.

Slightly adapted from Hackernoon's template, the Green,

Yellow and Red update template maps the achievement of KPIs according to progress. Green indicates those that have been achieved. Yellow indicates those you may be worried about but believe you can overcome. And red indicates the KPIs you are failing against and looking to develop a new plan for. It is important to include updates within these areas on your product build, team and hiring metrics, business development and corporate development.

Make Specific Requests for Help

In the most prominent place possible, you must endeavor to make specific and tangible requests for help. These requests can range from fundraising assistance and hiring referrals to new business-development connections. Although investors do not have enough time to sift through all of the data in your business, they also want to be helpful and make as much of an impact as possible in the short time they are spending reviewing your data. Putting specific requests out up front will help enable this.

Be Honest

A few years ago, I was speaking to an investor who was relaying his concern about a company for not providing updates in quite some time. “If I do not get an update for a number of months, I know that company is on the verge of death or in fact, dead already,” he remarked. “Good news is always shared. The sound of failure is the sound of silence.”

The average investor meets with thousands of potential investments a year and has developed a strong sense of pattern matching. In other words, if something is amiss, they have the instinctual capacity to sift it out quite quickly.

To avoid this, you must be open and transparent in your investor updates. It’s not merely enough to provide updates on

what is going well. You need to give background on what is going wrong, what you are scared of and what is truly a failure.

What’s great is that instead of scaring investors, this often brings them closer to you, as they can offer their incredible skills, experience, and connections to help you and your business. They’ve been around the block enough times to know that not everything is perfect and smelling roses.

Related: How to Keep Your Investors Happy

After raising capital, investors will often expect periodic updates on the status of your business. In order to ensure these updates do not become distractive, you can take a few key lessons to heart. Namely, you can follow a Green, Yellow and Red framework, explicitly ask and describe what you need help with and be honest about what is going wrong and how you plan to correct it.

https://www.entrepreneur.com/article/352488