



BUSINESS

'Your Capital Can't Fund What It Can't Find'

By Stephen Watkins
For NewsUSA

(NU) - **Q:** I hear all of this visibility and exposure stuff from our financial professionals. Why is this really important for the companies in which I invest?

- John P., Chicago.

A: I'm sure you've heard from most financial professionals why it is so important to get the word out about the company to investors. You experience it every time you find a company to invest in, because "your capital can't fund what it can't find."

There are two issues investors have to grapple with when they consider a private company investment. First is having confidence that the management team is focused on creating and growing value on behalf of the shareholders. But equally important is a commitment to getting the word out to the business community, the financial community, vendors and customers.

Just consider how many "better mousetraps" have probably been invented. If you went to the patent office you'd find them. But still, you and I end up going to the local drugstore and buying the \$1.99 mousetrap. Why is that? Probably not because it's the best, but because it's the only one we, and the drugstore buyers, know

about.

The same story exists in the capital market. A truism in the financial community is that 80 percent of transactions occur between companies within a 50-mile radius of each other.

To attract investment, it is essential that private companies focus on two things: shareholder value and visibility to the financial community. The chief executive officer must oversee both efforts, which can be done through a chief operating officer. And in my book, a CEO's primary focus should be on spreading the word to the financial community, vendors and businesses.

A number of executive coaches spend time educating CEOs on better operating methodologies. I think this does a disservice to the CEO. After all, why should a CEO be forced as the entrepreneur and visionary into being an operator? There are great operators and then there are great visionaries.

Obviously, in a number of smaller companies a CEO performs both roles. This means that as an investor you need to have confidence that the CEO takes responsibility both for getting shareholders focused on increasing value and for getting this increased value known by the financial community.

Stephen Watkins is the chief executive officer of Entrex. He can be contacted at swatkins@entrex.net.

**Guest
Commentary**