

## The Fundamentals of Raising Capital

Without the appropriate resources your company will not be able to create and develop the breakthroughs it needs to establish a lasting and valuable presence in the market. Funding is the lifeline every company needs to develop the structures and infrastructure required to support growth. Funds give you the freedom to be innovative in your tactics and selective in your partnerships. It allows you to create market conditions, as opposed to respond to them, and it enables you to work systematically and methodologically toward your objectives.

The raising of capital is not an easy process, but there are some fundamentals that should be adhered to and can help enhance your prospects for success. These include:

- **Have Professional Documents** - Your documents will be the only indication a potential investor will have of the seriousness and professionalism with which you approach the organization and implementation of your business. Presenting a flawed business plan, whether it is due to poor language skills, omitted information or an exaggerated financial projection shows the potential investor that you do not plan and execute well. You may be thinking that the business plan and presentation are just formalities and the brilliance of your revolutionary technology will get the investor to ignore all the minor imperfections. Maybe. But you may run the risk that they'll trash the plan before they even read about the technology. And all because your first impression wasn't managed properly.
- **Work Through Professional Intermediaries** - True, intermediaries take a piece of the action, but they also have a ready and willing cadre of investors and will make sure that your documents and presentation are up to par. Working through professional intermediaries saves you valuable time and provides vital contacts.
- **Take Funding When You Can** - Even if you are not actively searching for funds when an opportunity presents itself, if you know you have another round of financing down the pike take what you can when you can. You may be thinking valuation and how much greater you may be worth if you're able to wait another six months. You can negotiate your valuations. Good capital partners are hard to find. When you find one, consider the added value, and take the money. With the next round taken care of you can focus all your attention on the development of your business, meaning quicker time to market and, ultimately, the higher valuation you were hoping for.
- **Always Ask For More Than You Think You Need** - You may not believe it, but you are underestimating how much money it will cost you to reach all of your objectives. If you try to save a few percentage points and raise less you may fail to hit your milestones, bringing the value of the company down. You need to think long term. Make sure your company is properly financed.
- **Be Realistic About Valuations** - You may know for certain that you have a billion dollar company in the making. But when you try to hit an inflated valuation because of something you hope (or think you know) will happen five years down the line, you are damaging your credibility and alienating potential investors. Be reasonable about your valuation and you'll find potential investors will be reasonable as well.

- Target the Right Investor - There are different kinds of investors for different kinds of companies and different stages of development. You need to carefully evaluate who the ideal investor is for your company and then bring your highly professional business plan and presentation to his or her attention. By trying to sell bigger names or those you happen to have a connection to, you may be wasting precious time. Knowing which fund or angel is inclined to invest in your sort of enterprise increases your chances of success.

An error when trying to raise funds can mean a missed opportunity that may never be recaptured. The process is difficult and calls for a great deal of compromise. Entrepreneurs often get so close to their projects that they have trouble giving large pieces of it away - even for the very capital that will enable it to survive. You need to steer clear of this ironic pitfall and keep the good of the project ahead of all other considerations. Not an easy task. Just the first of many difficult, yet critical decisions you'll need to make on your road to success.

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