




Welcome **jpblanchard**, you are logged in. || [Logout]

SUBSCRIBE TO MAGAZINE || JOIN THE COMMUNITY

- Home
- Latest News
- Current Issue
- Entrepreneurs
- Technology
- Business
- Venture Capital
- Interviews
- Industry Review
- Early Beginnings
- Book Review
- Out of the office
- Successful Planning
- Venture Blogs 
- VC Tools
- Recent Articles
- VC Useful Resources

-  NEWS FEED
-  BLOG FEED



Planning For Successful Funding

By **JEFFREY P. BLANCHARD** *An Entrepreneur's Primer*

*(0) Comments posted.
Post your comment.*

» Page **1** of **4**

"The lack of proper planning on your part does not constitute an emergency on our part"--placed, perhaps inappropriately, beneath the 'emergency' sign of a local hospital, this statement is nonetheless accurate in the venture capital world. Many entrepreneurs need funding yesterday. Yet the process for securing such is lengthy.

Nobody in our industry rushes into anything anymore. Most venture capitalists believe that if your business is in such a precarious state that it is likely to collapse without an immediate capital infusion, then it may be better for them not to invest. From a venture capital viewpoint, your business may be beyond help.

Today, the typical venture capital investment, from the venture capitalists' first examination of your business plan to the initial funding round, averages four to six months to complete. The investment period may range from three years on the short end, to as long as seven or eight years, with an average of about five years. However, the initial review, due diligence, investment negotiation, and funding are often the most critical phases of the investment process.

To be in the best position to obtain funding, you, the entrepreneur, must plan well to be perceived as a viable, vital business concern. Your most advantageous positioning must include composing and presenting an 'A' management team as a critical ingredient of your business investment opportunity.

Step 1: Before you approach investors, have an 'A' team:

The first necessary step in proper planning involves critical self-examination.



JP Blanchard

This Week's Poll

Where is the first place to look for capital in the initial round?

- Angel Investor
- Personal Savings
- Friends/Family
- Credit Cards
- Bank
- Venture Capital

Vote 

[View Results.](#)

[Ads by Goooooogle](#)

[Find Texas Investors](#)

Register your business proposal and find the right investor for you
www.TexasInvestmentNe

[1st Year Fee-Free](#)

The American Express® Business Gold Rewards Card. Apply now and save!
Open.AmericanExpress.c

[Free Grant Search](#)

Specifically: What is the quality of your team?

Recognizing that most venture capital investors are investing in people rather than ideas is the first step in the process of obtaining capital for your business. If you have glaring voids and inexperience represented in your management team, it is highly unlikely that you will attract the serious attention of a venture capital investor.

While not every venture capital investment is made in a company with a complete ensemble of experience and capable managers, the absence of what the venture capitalist perceives as "A" players in critical positions is likely to hurt your chances of receiving an investment. Some investors assist in the recruitment of managers to key positions, but venture capitalists expect to see the most critical positions (e.g., CEO, engineering, sales, and financial) filled by managers with demonstrable analogous experience, a strong commitment to the business, and verifiable character and integrity.

If you feel that certain members of your team are weak, take action before approaching prospective investors.

Do not expect an investor to make a commitment that is subject to upgrades in the management team.

Step 2: Be introduced to prospective investors:

Most venture capital firms review well over 1,000 investment opportunities per year, yet invest in fewer than one percent of them. Unfortunately, most unsolicited business plans fall into the over 99 percent that languish in the seeming endless queue awaiting review.

Because our firm originates almost all of its investments, we are most responsive to opportunities that are referred to us by credible referral sources: bankers, accountants, lawyers, friends, and entrepreneurs we have successfully back in previous investments, to name but a few. Miraculously, those opportunities, because they come to us pre-screened by someone we know and who is not likely to waste our time or damage their credibility with a poor investment prospect, find their way to the top of the stack of proposals, get reviewed by a principal in our firm, and, if appropriate, receive an expedited audience.

With that in mind, you may be far better off getting a referral to a venture capital firm from someone who knows the investor and is a credible referral source.

Step 3: Present your management team and business

Once you have established contact with a credible referral source, it is time to consider the manner in which your business plan will be presented to prospective investors.

First--Lead with brief executive summaries:

A well-written, concise executive summary of your business opportunity is vital. Not everyone in our industry has ADD, but

neither are we likely to pore over a 60-page business plan to reach our decision as to whether or not we want to schedule a face-to-face meeting--the scrutinizing occurs later, after you have secured our attention. A three- to five-page executive summary can make the difference between getting the meeting or not.

Second--Provide an appropriate presentation:

In a favorite cartoon, Dilbert keels over during such a presentation, exclaiming, "Power Point poisoning!"

That said, however, visual presentations often provide an effective framework for the presentation of your business plan. Be cognizant of the rules that apply to the creation and execution of a successful, effective presentation: --Stick to five or fewer points per slide, and --Prioritize; present the most important points and leave the rest for the detailed business plan and questions.

Your presentation is your opportunity to excite investor interest; to spur him or her to desire to pursue the opportunity further.

Correspondingly, no venture capitalist expects or has the patience to cover your entire business plan in the initial meeting. As Voltaire said, "To be a bore, tell everything." Put less poetically: "Your brain can only absorb what your butt can tolerate."

There are almost certainly studies on the optimal length of a presentation. You should, however, time your initial presentation to last no more than 30 minutes. Allowing for interruptions for the investor to pose questions and ask for clarification, most initial meetings may last 60 to 90 minutes.

Third--Distribute a detailed, printed, execution-oriented business plan:

Personally, I prefer to see an executive summary that captures my attention in a brief three to five pages; this piques my curiosity about the management team, and inspires me to look more closely. Then, at the first meeting, I want a presentation that yields more detail regarding the most vital points of the business, but not so much that the presenter loses my interest. Finally, as I am leaving, the teams most likely to garner funding give me their detailed business plan in print form.

This detailed plan should be a roadmap on how you plan to run the company. It should convince the reader that this team is particularly well-qualified to execute this specific plan, and it should be oriented toward the manner in which the team plans to operate the business.

It is off-putting to see a Madison Avenue-style business plan that focuses entirely on raising capital. An operating manual regarding how you run your business and how you plan to execute your business plan to create value is far preferable to a document that explains terms, enumerates the risk factors associated with an

investment, and describes the investors' expected ROI.

Step 3: Prepare for a series of meetings:

You've collected an impressive management team, been properly referred to a prospective investor, prepared a sound operating business plan, distilled the plan into a concise executive summary, and put together a presentation that has piqued investors' curiosity. Congratulations. The relationship between your team and the venture capital firm has begun.

However, it is essential to keep in mind that, while you have launched a relationship, the first check is as -yet uncut. A series of meetings will be required before funding is obtained. At each meeting, your goal is to excite the investor and gather their interest for the next meeting.

At each meeting, you are selling the business concept and the notion that your company possesses tremendous growth potential.

It is essential for you to understand that once the venture capitalist's attention is focused on you, they will require more information regarding your business than the management team ever dreamed anyone would want to know.

Step 4: Prepare detailed records available regarding every aspect of your business:

Here are some of the areas in which you should prepare suitable documentation:

Resumes and references on each member of your management team
Business plan
Strategy for building long-term value
Product development roadmap
Sales strategy
Industry studies (size, growth potential, etc.)
Direct competition and potential for substitutions
Barriers to competitive entry
SWOT analysis (strengths, weaknesses, opportunities, and threats)
List of customers (ranked by size and percentage of total)
List of supplies (ranked by size)
Historical financial statement
Financial projections
Capital requirements
Detailed capitalizations table
List of prior financing rounds, if any, and details
Law firm
Accounting firm
Banker
Board of Directors
Corporate records
Copies of all patents and description of process for protecting intellectual property
Copies of all material agreements (leases, loans, employment agreements, etc.)

You should have all of this information available in the ordinary course of managing a well-run business. Make sure it is organized before you approach the venture capital firm. The last thing you want to say is, "I don't know; let me get back to you on that." Be prepared!

In conclusion, plan early, plan well, and plan appropriately. Show prospective investors that you are the experts at your business--and that you know how to add value to your company to succeed in your marketplace. The relationship you garner from your preparations can yield funding for years to come.

About Jeffrey P. Blanchard

First Capital Group is a venture capital firm that invests in a diversified portfolio of well-managed early- and expansion-stage companies primarily in Texas and the Southwest, working with their management teams to help build value. As one of Texas' most established venture capital firms providing funds to this traditionally under-served market segment, First Capital Group delivers more than 75 years' combined experience to assist entrepreneurs in obtaining the capital they require to execute their business plans and the experienced counsel they need to help achieve their business objectives.

Jeffrey P. Blanchard launched the San Antonio-based firm in 1984, having already held senior management positions in two other such firms. First Capital Group has consistently remained focused on a diversified investment strategy, enabling it to meet investors' needs for a lower-risk portfolio without compromising expected investment returns. First Capital Group originates and serves as a lead or principal investor in all of its transactions.

More information:

<http://www.FirstCapitalGroup.com>