

Raising Investment Capital

“There are millions of people with great business ideas, but only a select few, perhaps 2-3%, can take their idea and execute by turning them into something that people will pay for, over and over.” *Entrepreneurs’ Startup Guide*

Many business owners believe they must raise large amounts of money to make their business successful. We do not think this is true. The goal is to generate **the right amount of money** given the business you are building. Different enterprises require unique investment levels at various stages of their life cycle.

Invest in Yourself

The best way to attract investment capital is to invest in yourself first. Investors want to know you have some “skin in the game.” If you are not willing to put in your own money, why should anyone else?

It is not about the amount of money you have invested, but it is critical you demonstrate how highly you value your idea. This can be very convincing to strategic partners.

Do your homework. Take the time to understand investor terminology and the rules of the game. Not knowing how to properly communicate with investors can be fatal. Be prepared for every meeting. Ask questions if you do not understand all the advantages and disadvantages of your options as they are presented to you.

Applied Knowledge is Power

Understand the size of your market before asking for any money. Different businesses have varying profit potential. As a result, the correct sum of capital to invest varies in each circumstance. What is the future value of your proposed company?

Due to the risk involved, investors expect high returns on their investments. If the market capitalization is too small for their portfolio, it will not be worth their time.

Build a Great Team

Your business success or failure will ultimately depend on the strength of your team. It is critical you plan wisely here. Investors invest in people not ideas. Suppliers, vendors, and customers can be your best team members. Typically, they have experience and connections in the area you want to enter.

Seek out early adopters and listen carefully to their comments. They are in a position to give you

valuable information about what is working, not working and things that need improvement right away.

Demonstrate Profitability Early

It is imperative you keep your expenses to a minimum. Spend money where you can to optimize your profit margin. Achieve sustainability as soon as you can.

The more successful you are in this process, the greater the credibility it will give your business and the higher the market validation you will earn for your product or service. This the fastest and most prudent path to procuring the money you will need.

Match Capital Requirements to Achievement

We know there is a huge temptation to try to get more money than you actually require. This can be a devastating mistake. It will lower your business valuation right from the start. Only ask for the amount you need to get to the next level of investment. All funding should be tied directly to your ability to fulfill your goals.

“Achievement based funding” will alleviate the possibility of your investors having too much control over the day to day operations of your company. It will also prevent you from being under too much pressure and stress to perform at the level you must in order to move your business forward.

Timing is Everything

Winston Churchill said, “Success consists of going from failure to failure without loss of enthusiasm.”

One of the inherent costs of securing capital is being able to move past rejection. Every potential investor is not necessarily the right partner for you at that time, and “No” is not forever.

It may be the person you are pursuing is not the right fit for your business model. Treat each rejection as a learning experience. Use it to refine your approach and to attract the right partner given your specific funding requirements.

How We Can Help You

[Pacific Crest Group \(PCG\)](#) provides professional services that keep your business focused on your critical objectives. We provide strategic Accounting and Human Resource (HR) services created specifically to help you meet your goals. Through exemplary customer service, clearly defined policies and procedures as well as a forward-looking perspective, we provide the outsourced solutions your business needs to grow. A PCG professional is happy to meet with you to discuss

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