

Are You Investor Ready?

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You've lived through the dotcom implosion and well realize that the days of getting funding just because you have a bright idea are long gone! Investors are looking past "concept companies" and looking for businesses with solid prospects, defensible market niches, the makings of a serious management team, and a compelling global business model.

While some of the old rules still apply when seeking investment, there are a few key questions you need to be able to answer before you're investor ready.

Take this quick quiz, courtesy of an old colleague Guy Kawasaki ex Garage.Com, which I've updated and translated into Aussie, to determine whether you're seriously ready to talk to investors:

Q What's your elevator speech when you introduce yourself to a potential investor? Do you:

- a. Dive into a monologue about how your company can ride out uncertain economies because your product is unique.
- b. Whip out a mini version of your PPT and start furiously reading.
- c. Introduce yourself and explain your product and your market opportunity in less than 30 seconds.

Q When discussing your potential customers, do you:

- a. Explain that your market is so HUGE that even one per cent (1%) will make everyone rich.
- b. Mumble about potential customers in generic terms like Fortune 500s, Big Pharma, enterprise clients, etc.
- c. Name specific companies who are ready to buy your product and will be your customers.

Q Raising money takes time and typically a minimum of twelve months. What do you do?

- a. Forget about it! You didn't plan on having to wait that long and you really don't need a back-up plan.
- b. Put everything on hold: stop networking, stop cultivating business relationships and working on new business and product development until the money rolls in.
- c. Batten down the hatches and bootstrap until you've got your financing.

Q When raising money, investors want to see that you have a strong management team. What best describes your business's leadership situation?

- a. I'm it.
- b. I'm a University Professor with a Board of Advisors, you can't really expect me to commit to the day-to-day operation of this company.
- c. We have a core team, with our 'management holes' clearly identified and, as part of the use of proceeds, we can effectively build it out.

Q When developing your revenue model, you:

- a. Guessed the first three years' projections?
- b. Took a top down approach based on capturing a percentage market share.
- c. Can demonstrate realistic revenues based on data from companies in related industries and a number of actual sales accounts.

Q When asked about your company's competitive advantage, you reply:

- a. (Lapsing into dotcom speak) —we're first-movers in this space. (Or demonstrating ignorance) — we have patent applications licensed from a reputable Australian University and/or Research Institute in process.
- b. (Raising your voice for emphasis) —“Marketing is key to our success. We just have to get our message out there on the web and the phone will ring off the hook.”
- c. We have a core management team and proven technology. We need a 'smart-money' investor to help us move forward quickly to capitalize on our opportunity.

Q What do you see as the future of your company?

- a. What future? I'm building to flip to San Diego, cash out, and live the good life up in Byron.
- b. I'm a serial entrepreneur. Rodney, Brad and I want to drive this thing to profitability so I'm ready for the next big opportunity.
- c. I've got some serious 'skin in the game' and I'm in it for the long haul. Let's build a sustainable and viable business together.

Q Investors will want to know how much ownership you are willing to give up to make your business a success. What best describes your situation:

- a. I want to be President, majority owner, keeping dilution of my ownership interest in the business to an absolute minimum.
- b. I've already raised some Rolodex money from fools, family, and friends, and in return I offered them special voting and anti-dilution rights.
- c. I want this company to be a success and I'm prepared to take on serious investors that will help me reach that goal.

If you can't honestly answer, 'option C', to every question – JUST FORGET ABOUT BEING INVESTOR READY!

About the Author

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He is a regular speaker and published author on corporate business strategies, venture capital, and technology commercialization. He also has written and web published *A Small Business Guide to Managing Technology for Profit* as a simple practitioner's guide available at www.pepvc.com. Rob returned home to Australia in 2002 after 20 years overseas, the last three as the Australian Government's Investment Commissioner for North America. Rob can be contacted at robert.muir@ansto.gov.au.