From Idea to Funding in 10 Steps

The Funding Game

A winning approach to financing your company

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Do you have a big idea? It may have come out of the blue or you might have been polishing your idea for some time. Either way, you've decided you want to make it happen. What's next?

1. Write a ONE page plan

Don't spend months fine-tuning an epic 100-page business plan – it's a huge waste of your time. Just get it all on that one page. You'll discover that, at this stage at least, investors do not generally read business plans. On your one page include your USP (Unique Selling Proposition), the problem you're solving, the size of the marketplace, the business model, your potential team, your marketing approach, the competition, your exit strategy, the milestones to achieve and a very rough forecast. Spend no longer than a single day on this step.

2. Sleep on it and review

In a day or two revisit your one-pager. Does it still look good? Follow your instinct on this. Review it as if you were an investor. Is it unique enough? Is its uniqueness sustainable and in a large enough marketplace? Can your idea make money? Is it fun? Do you have enough passion invested in your idea to make it work? Are you still excited by your idea? Good! Go to the next step.

3. Create a hot prospect list

Make a list of potential suppliers, customers (if not individual organisations, then niches within your market), joint ventures and even competitors. When you've done this, go out and connect with as many of the people on your list as possible. You're trying to answer five big questions: 1. Is there a real appetite for my service or product and are people willing to pay for it? 2. What is my edge or unique angle in this marketplace? 3. Who can help me to reach my marketplace faster? 4. Where is the low hanging fruit – where can I do business quickly and most easily? 5. Where can I start generating revenue right now?

4. Make something happen

You may have noticed I've not made a mention of finding capital yet. Most entrepreneurs jump to that as early as step two (which is why only 1% of early-stage businesses are successful in raising capital). Okay, so we're on step four: you need to sell something. Just make a start. If you don't have a product, sell your consultancy or sell to a potential joint venture partner that can share key technology or a large database of customers with you. Just make something happen. From an investor's point of view this dramatically reduces the risk of investing in your idea.

5. Dust off the executive summary and refine

Perhaps three-to-six months have passed since you took some action and each day you're making progress, generating a little cash flow, opening up opportunities and strengthening your alliances. Now go back to your one-page plan. Make any amendments you need to make based on your recent research and experiences. Build on the executive summary you've created to include a five-year forecast and then, from what you've learned to date, add a little more depth and colour to each point. Don't spend any more than one week on this and keep your plan to no more than 12 pages. If you can, get professional advice on writing an outstanding executive summary. It'll be money well spent. At the end of this process ask yourself: *"Do I still want to do this? If I were an investor would I invest in this? Am I prepared to put five to seven years of my life into this project?"* If you don't answer *"yes"* very quickly to all three questions, it may be time to find another business idea or repeat the steps above. If you still want to push onwards and upwards with your idea, move to the next step.

6. Develop your funding strategy

How fast do you want to grow your business? How much money will you need? There are dozens of approaches to raising capital – everything from angel investors, bank loan grants and vendor funding to invoice discounting, family and friends and crowdfunding. Investigate your options. Which ones suit you and your business goals? Often it will be a mix of different approaches.

7. Get your tools in order

You've now settled on the sources of funding that would best suit your organisation. Now you need to sharpen your tools before you get started with the business of raising capital. What are the tools? In most cases it will be a strong USP, a good team (perhaps including a non-exec director) a credible exit strategy and valuation, proof of concept (listing the actions and results you have taken to date to reduce the risk for investors), a compelling executive summary and a polished but passionate verbal pitch. You may also need to tie up loose ends by making sure the company has a sound legal structure and your accounts are all in order.

8. Get plenty of meetings

Give yourself three to six months to systematically explore every avenue in your funding plan. If you are looking for angel investment, draw up a hit list of 20 angels in your sector and aim to get a meeting with as many on that list as possible. Put together a customer relationship management file for each prospect and track your progress. You'll have days when you seem to be getting nowhere but, with a little persistence, you'll get a few good breaks and some promising meetings arranged. Nothing will happen until you start meeting people that have access to funding though.

9. Perfect your pitch and offering

Never go into a meeting without getting to know the prospect, their background, circle of influences, likes and dislikes. Also ask yourself: *"How can this meeting benefit them?"* With this in mind, practice your five-minute pitch. This is all you should need. The remainder of your pitch time will be spent on answering questions. Before you leave an investor ask what went right and what went wrong. Learn from each experience and keep on improving your pitch. Keep it brief, compelling and backed-up with facts, with an outline of the action you've already taken. If your idea is credible with potential for growth, and you present your idea well, the odds for securing the capital you need will swing in your favour.

10. Do the deal

Don't make any rash decisions. You'll regret giving up too much equity or settling for high interest charges early on. If you're dealing with an angel investor always get a 'term sheet' drawn up outlining the deal on offer. Then get the lawyers to take care of the details (preferably on a fixed-fee basis). Above all, make sure you trust and get on well with the funding partners whom you have agreed to do business with.

About Paul

Paul Grant is an experienced entrepreneur who founded and ran a London-wide catering business for corporate and retail markets for seven years and now assists many companies at early and growth stages. A former director of Capital Partners, heading up the business angel division, and more recently an associate director of BA Capital Ltd. and Bergstrom Capital, Paul is also the founder of *The Funding Game,* which aims to offer entrepreneurs a clear understanding of how to fund and grow their businesses.

Supporting entrepreneurs

Throughout his career Paul has been a passionate advocate for the small business owner. He offers a range of services to new companies, including investment, strategy and marketing advice. Paul is a frequent speaker on the subject of business funding at many public professional development events. He is based in London, England.

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