

Financing the Business

Practical Entrepreneurship Training – Part 4

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Financing your business for success



Key areas for financial support for start-ups

- Market feasibility
- Product development
- Building a sales machine
- Supporting the company until
 - first sales
 - profitability



Handling of financial support by start-ups

- Huge influence on success or failure of a start-up

Getting the **right level** of financial support from the **right people** at the **right times** is a huge factor in building a **successful business**



Types of financial support for start-ups

- **Grants**

- From local state bodies such as enterprise boards, LEADER programmes etc.
- Usually require matching funding

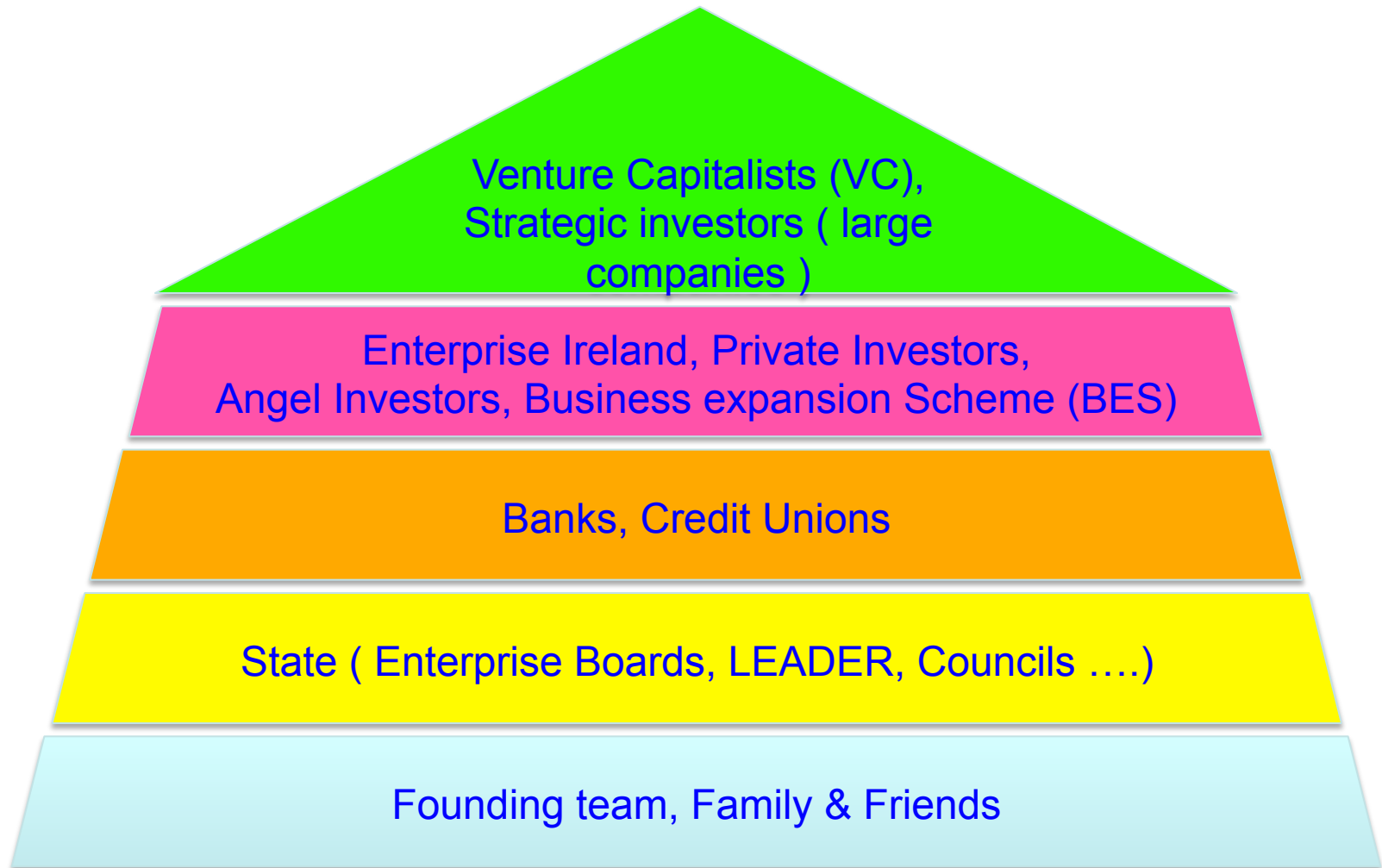
- **Loans and overdraft facilities**

- Provided by banks and credit unions

- **Equity investment**

- Cash investment by investors in return for a stake in the company

Who provides financial support to start-ups ?



So how do we attract financial support ?

Complete agreements using experienced financial & legal advisors



Excite them to understand, believe in and back you & the business



Engage potential financial supporters in professional manner



Develop a strong sound sensible business plan

Business plan – key foundation

- A strong well-written business plan is the foundation for attracting all financial support
- Along with the opinion formed on the founding team, this is the critical item that potential financial supporters will make a decision on



Engaging potential financial supporters in a professional manner

- First impressions last !!
- Prepare properly
 - Printed copies of business plan & relevant materials to hand out at meeting
 - Laptop & spare USB disk with presentation
 - Business cards
 - Dress to impress
 - Prepare your script for the meeting
- Be yourself and put your best foot forward !



Excite them to understand, believe in and back you & the business

- Initial step is to ensure your audience **understand** the business opportunity
- You then back that up by why you believe passionately that you and your team **can deliver on this opportunity**
- You finish by explaining why this would be a **strong step for them** and **you ask sincerely for their support**



Complete agreements using experienced financial & legal advisors

- Taking on financial support involves very serious obligations
- You need proper financial and legal advice to ensure
 - You understand
 - your obligations
 - future implications for you and your business
 - You get the best possible deal for your business



Financial supports appropriate to early start-up phase

- In the early stages of a start-up, goal is to establish market feasibility utilising **minimum amount of your own resources and supporting financial partners**
- State grant support is specifically geared towards this stage
- Often you will need a small level of bank support

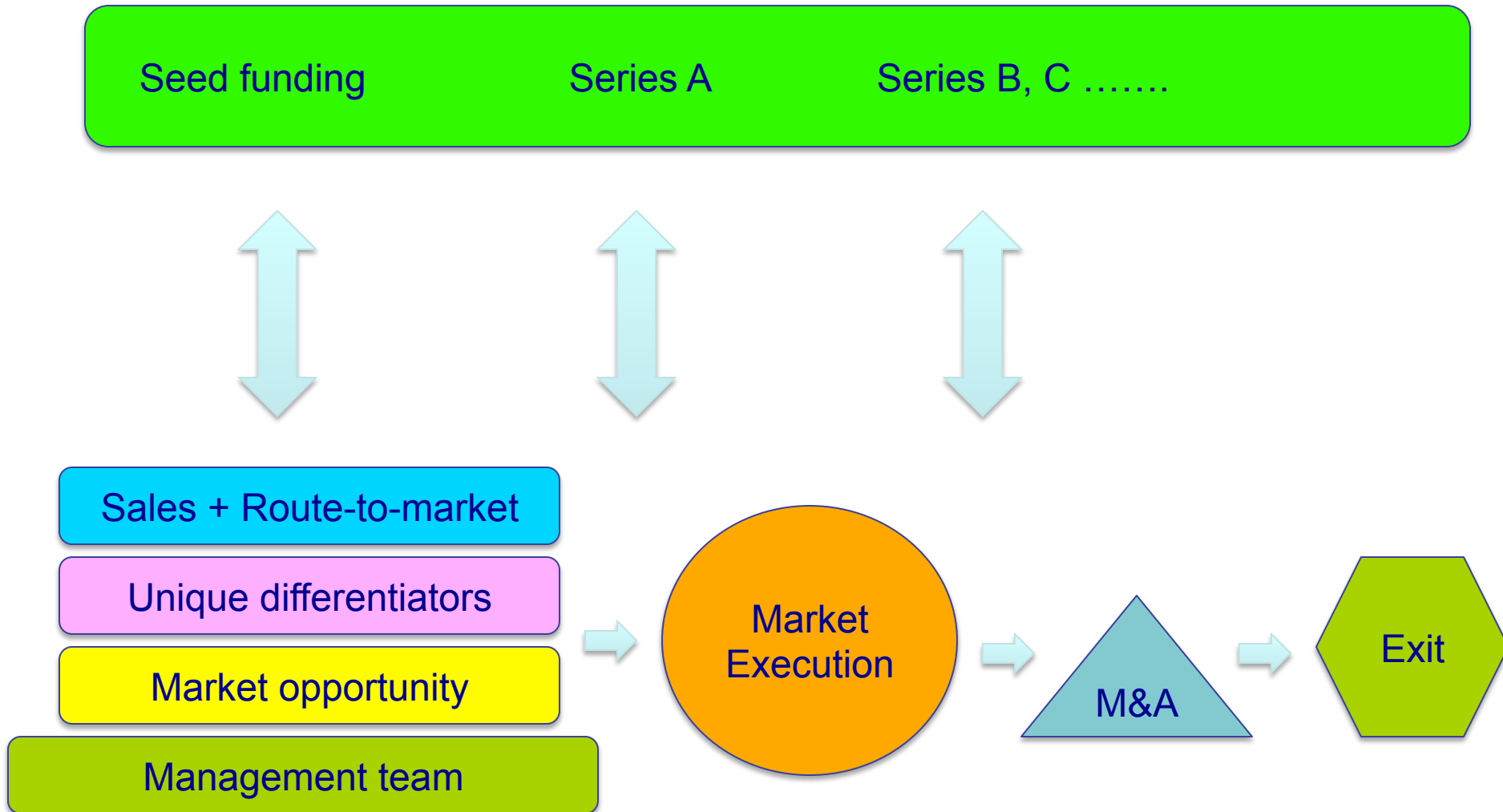


Financial supports appropriate to later start-up phase

- For start-ups with significant ambition, usually having international focus, the level of investment required means that you will need significant investment
- This will in most cases mean equity investment



Evolution of an export-focused start-up



So what does it mean to take on equity investors ?

- You are giving a genuine commitment to work very hard to deliver a return on their investment
- You are now sharing control of the company with external parties based on the legal agreements you signed on accepting the investment
- As the management team, you will run the business in the best interest of all shareholders



Understanding the mindset of equity investors ?

- Their money is totally at risk
- All they have is a % equity stake in a business which could fail and they losing all their money
- They have a lot riding on your success
- They want the partnership with you to work !



Creation of a board of directors

- When you take on equity investors, a formal board is established to oversee proper running of the company for all the shareholders
- The management team is now answerable to the board
- The board normally has a mixture of the founders/management team, investors and non-executive independent directors



7 golden rules for a first-time CEO in a board

Formal & well-organised

Absolute honesty, openness & transparency

Listen, listen and listen

Focus : 20% on positives, 80% on challenges & areas where you need board's help and creative suggestions

Inspire the board members to want to proactively help

Continually build confidence in you as CEO

Under-promise & over-deliver !!

Why give equity away ?



Apart from the fact that the majority of businesses with serious ambition need equity investment to succeed, it is far better to have a decent slice of a big cake than all of a tiny cake 😊

My thoughts on a win-win Start-up - Bank partnership

Proactive effort by start-up management team at early stage

- explain business effectively
- lay out key milestones
- Get bank partner excited !

Start-up outlines

- Financing requirements & plan
- Investment strategy & process
- Investment-grade business plan
- Key risks and concerns

Bank partner commits to

- Understand the business & market
- Read the business plan properly
- Build support internally

Bank partner outlines very clearly

- Key financing criteria
- Key concerns
- Due diligence requirements

My thoughts on a win-win Start-up - Bank partnership ..

Start-up management team updates regularly and accurately on

- Investment progress
- Cash position
- Sales & partner progress

Bank partner communicates on

- Progress of application
- Key areas needing help
- Timely & decisive communication



Win-win partnership

- Long-term commitment to bank
- Ongoing regular updates on progress
- Bank partner part of extended team

Kieran's 7 golden rules for financial support

A strong sensible business plan is the foundation for seeking financial support => this drives amount of investment needed

Engage potential financial supporters early, get them excited to understand the business opportunity, to believe in you, your team, your business and then ask for the money !

Err on the side of getting more investment than less – to cope with future surprises and setbacks

Kieran's 7 golden rules for financial support ..

Get proper financial and legal advice before taking investment from anyone – it's a very serious thing to take investment money from someone and things can go wrong

Research carefully the investors you are considering getting involved with – check their track record, their reputation and their current financial status

After taking on investment, communicate progress regularly & professionally for both good and bad news

- don't hide bad news
- Investors deserve to be informed
- Being proactive will encourage their help before it's too late !

Use investment money very wisely as if it were your last investment !

Great teams give it heart and soul !



A time of tremendous opportunity



Entrepreneurs are made as well as born !

Entrepreneurship: One of the hardest yet most rewarding personal journeys you can take



Thank



You