



12 Steps to Getting Investor Ready

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One of the most frequent questions I hear from entrepreneurs is: how do I raise money from venture capitalists? This usually leads to describing that it takes more than an idea to get angel or venture capital funding - it takes having a business concept that's an investable idea, and it takes making some headway on the business to reduce the market, team, technology, and financing risk. In other words, it takes doing the work to get investor ready.

And yes, it's hard to raise investment money in Oregon. But if you're not investor ready, it's more than hard. It's pretty much impossible. On the other hand, every year Oregon entrepreneurs who are investor-ready do manage to close investment dollars to fund the growth of their companies. It can be done. Even in difficult times. But it takes being ready.

So what does it take to get "investor ready"? Here's a description of a "12 step program" to get investor ready.

1. **Get advice.** Especially if you have not started a growth company and raised angel or VC money before (and even if you have) it's very helpful to touch base every so often with advisors who have started a company and raised money before, and who are not as immersed in the business as you are. They can give you guidance, and can help you raise your head out of the details to keep perspective on where you are and where you're headed.
2. **Identify an investor-fundable idea** — a compelling, unmet need that represents a very large market opportunity. It's true - investors look for large returns - 10x to 30x. And it's not driven by greed. It's driven by the fact that they don't get a return for 5 to 7 years, their investment will get diluted by future investments that others make, and the majority of their investments will fail, returning nothing. Zip. Zero. Under those conditions, the only way to get a decent ROI on a portfolio of startup investments is to target investments that have the potential for very large returns. In the typical investor's startup portfolio, a small number of the investments will do "very well", some will do "OK", and most will "fail". If your business can only grow to \$5M or \$10M or \$15M in 5 years, it could be a very nice profitable business — but it's probably not something a VC or angel could consider as an investment.
3. **Validate the market.** It's fine that you think the need is compelling - what do the customers think? The only way to find out is through primary research. Talk to customers. That's important for your own piece of mind. But also, your research findings are a key piece of ammunition you'll use with investors. It's part of getting investor ready.

OEN Entrepreneur Resource Series: 12 Steps to Getting Investor Ready

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4. **Develop a business model that shows how you'll make money.** Who will pay you, for what, and how?
5. **Validate the business model.** That takes more primary market research to make sure that customers will pay what you think they will pay.
6. **Show that you can make money** (and determine how much investment you need) by putting together a financial projection that shows what funds you'll need to pay expenses, and what income you'll generate. And it's not just a spreadsheet of numbers. It's the number combined with the defensible set of assumptions that explain what it is you need to spend money on, and how you came up with the revenue projections.
7. **Write down the milestones** you need to accomplish over the next year to move the business ahead.
8. **Build the core team** that can accomplish that first year of milestones. And make sure that everyone on the team is a very strong contributor. This is critical. Not only does your success in developing your product depend on it, but so does your ability to obtain investment. Experienced investors know that odds are that your idea has problems. What they are really investing in is the team, because it's the team that has to figure out what's wrong with the idea and how to fix it. Choose your team with care!
9. **Start executing on those milestones now.** Use funding from savings, credit cards, 2nd mortgages, friends and family. Because no investor funds an "idea". Not even an idea that has some primary market research behind it. To get funded, you need to show headway — like building a prototype and getting enthusiastic feedback from early users. So start bootstrapping and start accomplishing milestones.
10. **Develop an investor exit strategy.** How will investors get paid? How will they make 10x to 30x on their investment?
11. **Document all of the above in a 3 to 6 page executive summary.** Remember, when it comes to closing an investment, the executive summary must persuade. It must be compelling. It's a piece of sales collateral that explains why your company is a good investment.
12. **Develop a compelling 20 minute investor presentation** and an equally compelling 1 minute elevator pitch. And remember - these are not pitches about your product. They are pitches about why your business is a good investment.

Again - if you haven't done this before, then go find help at places like [OTBC](#), the [OEN](#), and the [PSBA](#). If you've accomplished all of the above, then:

1. Congratulations! You've probably been working on this the better part of a year (or more!)
2. You're probably ready to present a credible investment proposal to investors. No guarantees, but if it's a compelling idea and you've done the work, you have a credible shot at raising money.

But if you haven't done the work — well, yes, you'll find that raising money is not just hard, it's infinitely hard. So if you haven't done the work, it's time to get started!

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