

business angels &amp; private equity

# Removing barriers to funding



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Successfully obtaining funding is partly to do with how well you have planned your business development, but it's also to do with how well you understand how an investor's mind works - what turns them on, and importantly, what turns them off. Understand those factors, adjust the presentation of your plan accordingly, and you will have greatly improved your chances of achieving a successful outcome.

The majority of investors have a two-stage brain: the first stage needs to get excited about the business - if that excitement is not generated the proposition will go onto the 'reject' pile never to be looked at again! If they do manage to get excited, most sensible investors will then spend the rest of their time in looking for reasons not to put

their money in.

Generally investors are a sober and sceptical lot - they have all been subjected to exaggerated claims and forecasts in the past, often accompanied by statements that seek to persuade that the figures and plans are very conservative. Such rhetoric is water off a duck's back and will at best be ignored - they want to see good solid reasons why the assumptions and plans made are likely to be valid.

The key to successfully obtaining investment is to have a thoroughly good business plan that demonstrates a sensible and well researched business opportunity. This needs to have all the standard features expected, in addition to which we can highlight the following essentials:-

#### Characteristics of a good proposal:

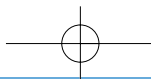
- 1) Excitement factor - communicated clearly, believably and without rhetoric.
- 2) Development of an existing profitable business or a well-researched new idea or product. It is important to adequately

explain what the business is about and in objective terms, why the plans & assumptions are reasonable.

- 3) Existing proven management - no rookies.
- 4) Good gross margins. Leaves room for unexpected downturns.
- 5) Not too high expectations on market share.
- 6) Commitment and cash from the management team before investor cash is put at risk.
- 7) Something genuinely new or different. No point in trying to do something already being done.

#### Turn offs. This is much easier - in no special order

- 1) Start ups. These have to be good to get funded, but some investors are looking for them.
- 2) Products dreamed up by technical wizards, which might be amazing, but for which there is unlikely to be a market.
- 3) Products that still need a lot of development - a potential black hole.
- 4) Global launches. Prove the product



and the market first.

**5)** Ideas which would be better licensed to someone who already has production or marketing capacity.

**6)** Investment to be spent on directors' salaries, cars or repaying loans.

**7)** Where the best route would be F & F (friends and family) or industry contacts. This includes films, music, games, nightclubs, or indeed any media or trendy retail proposal. This is not to say that external investment cannot be attracted, but it can be more difficult.

**8)** Where the funds looked for are out of proportion to the share in the business offered. Classically the sort of start-up where the company has no opening value, the management team have put in £20,000 and their time and effort, and are offering 15 percent for £300,000 or more.

**9)** Where the assumptions are too good to be true and the forecasts are unbelievable - makes the whole proposition lack credibility.

**10)** An investor would normally wish to take a stake in the holding company. It is a turn off if the investor is asked to take a stake in a new subsidiary.

#### **Now to raising the money:**

Good propositions invariably achieve the investment income they require...

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CMR funds companies large or small, from all industry areas, and at all stages of development, from fully established to start-ups.

CMR will quickly assess the situation and advise/help on any changes necessary before presentation to suitable CMR investors.

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obstacle to obtaining the required funding, CMR will help by providing the specialist executive expertise needed.

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This combination of wide ranging executive expertise and private investments funds provides an exceptional support base for small to medium-sized businesses.

Cavendish Management Resources was established in 1984. CMR has since grown to be an international organisation with over 450 senior executives, operating through fourteen regional centres covering the UK and Ireland, providing both funding and specialist help for entrepreneurial businesses.

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