

Success Tip #3: How to Attract Investors and Key Employees

YOU MUST PACKAGE YOUR COMPANY!

You have come a long way on your path to realizing your business goals and dreams. You had a great idea for a product or service. You recognized a need in the marketplace and moved into position to fill it. You have taken the first steps toward building your company infrastructure. The first few years in business have provided modest growth and you are now in a position to pursue further growth and expansion of your business. In most cases this means you will need to pursue investors to finance the expansion. In support of investor and exit strategies, you may also want to hire key employees in the near future. Before you try to do either of these things it is important to understand the aspects of your company's "packaging" that may hurt your chances to attract an investor or that talented candidate for Vice President.

In order to attract quality investors, your company must look professional. Investors and key employees evaluate many of the same things about your business before they commit to investing in it. They want to see the following:

- ✚ A company with a sustainable competitive advantage
- ✚ An experienced management team
- ✚ Defensible intellectual property, products, services, or technology
- ✚ A solid business model with tangible revenues
- ✚ Demonstrated leadership in high growth markets

Whether your company scores high in any or all of these areas doesn't really matter if you do not present yourself in a way that shows your strengths and communicates clearly to your evaluators. Your story must be clearly articulated in your business plan, in your public presentations, on your Web site, in your sales collateral, and across your entire organization if you even hope to attract interest in your business and stand out from your competitors.

WHY INVESTORS AND KEY EMPLOYEES MAY BE PASSING YOU OVER

Without a business plan you have no chance to attract a serious investor. You may be able to get Aunt Mary or brother-in-law Fred to give you a few dollars just because you smile at them and tell them that you're brilliant, but real investors know that, unless you are serious enough about your business to plan it out, you probably are not a good risk for them. Your business plan is the first thing they see and know about your company. It represents your company to them.

Young and growing companies often try to meet with potential investors and employees and “wing” a business plan. Competition for investment dollars and key employees is fierce, and companies with updated, crisp, and well written business plans move to the top of the list for what they need most: money and talent.

Angel and venture firms have trash cans full of poorly written, outdated, and badly packaged business plans. By contrast, if you impress investors with your plan, they will initiate further discussions and your chance to win financial support from them increases.

What Investors Look For

The following is a high level look at what investors want to see before they risk their money on a potential opportunity:

- ✚ A crisp and concise business plan
- ✚ A reasonable revenue rate and exit strategy
- ✚ A go-to-market and sales execution strategy
- ✚ Pipeline methodology with forecast and sales metrics
- ✚ Prospect qualification measurements, identified sales territories, and sales plans that are directly aligned to company revenue objectives
- ✚ A solid management team, including an effective sales organization, mapped to routes to market

CASE STUDY: PLAID SOFTWARE AND CONSULTING COMPANY

Plaid Software and Consulting was in business for over five years. Plaid had sustainable revenues and was looking to attract quality investors and key employees to position the company for a potential merger or IPO. Unfortunately investors and key employees were not breaking down the doors to work with Plaid.

The biggest reason that Plaid was consistently overlooked was that Plaid had the look and feel of a small, unpolished organization. The company’s Web site, collateral, and messaging was immature and ineffective.

Investors and key employees saw glaring problem areas the owners needed to fix in order to make the company “investment worthy”. These problem areas were:

- ✚ The company lacked a viable business plan.
- ✚ The sales and marketing components of the business were ineffective.
- ✚ Plaid represented to investors that it had a huge pipeline, yet the company lacked deal qualification metrics and a validated pipeline, and had no formal forecasting tools.
- ✚ Plaid did not have a go-to-market strategy, mapped to an overall business plan.

- ✚ Plaid had no direct sales force and its inside sales resources were ineffective because they were not managed by metrics and were not paid to succeed.
- ✚ The company didn't have a channel strategy.
- ✚ Plaid's Web site was unattractive, hard to use, and not informative.
- ✚ The company's sales collateral was badly written and was focused on features rather than on benefits to the customer.
- ✚ Plaid's marketing message was not developed and was inconsistent across messaging sources.

Before a worthy investor or key employee would commit to Plaid Software and Consulting, the company needed to bring in outside advisors to "fix" these mission critical elements.

WHY ARE THESE THINGS IMPORTANT?

Why do investors cringe when a company suffers from the shortcomings listed in the case study above? It's very simple. Each of these things portrays the company as immature, sloppy, and unfocused. These traits do not speak well for a company's future success. Investors like a company that has been well thought out and is professionally presented because these things speak volumes about a company's professionalism, and thoroughness; both traits that will enhance a young company's chances for success.

WHAT DO YOU DO ONCE YOU'VE CREATED THE "PACKAGE"?

Once you have built your plan and packaged your business so that you look smart and professional, you'll need to find the right investor(s) to help you expand your business to meet your goals. Finding the right investor requires that you become noticed. The following are a few of the ways you can get noticed by the right people:

- ✚ Put out well-written press releases announcing new products, customer wins, changes in business direction, or that you are looking to expand in the near future.
- ✚ Attend investor showcase events and present wherever possible.
- ✚ Practice, practice, practice telling your company story. Finding the right investor is much like finding your marriage partner: it takes a great deal of dating and courting to find just the right partner.
- ✚ Get your business written up in publications that are dedicated to your industry. Either write your own articles or find someone to write one about your business.
- ✚ Network with advisors, and be willing to share in a successful placement on a fee paid basis.
- ✚ Screen potential investors wisely. Find the right partner that is aligned with your management style, goals, and vision.

HOW TO GET STARTED

In the real world, Plaid Software and Consulting turned to Sales and Marketing Pros to better position the company to attract investors and key employees. Sales and Marketing Pros guided them through the process of revising their overall business plan and helped them build their sales organization, allowing them to win investor support.

SMP's Opportunity Maximizer Workshop performs a full-scale assessment of your business plan, including your sales and marketing infrastructure. The workshop provides you with a gap analysis and steps to close the identified gaps. If requested, SMP can develop a customized statement of work to help you execute your ultimate exit strategy.

SMP also offers part or full time Advisory Services, such as seasoned business writers, design experts, or marketing and public relations resources; allowing you to just pick up the phone and request help as you need it. SMP is ready to work with you and your team to package your business so that it embraces the future.

With creative planning and packaging, you will win in the marketplace, at both the investor and customer levels.

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