FEATURE

# SME SUPERSTAR or investors' bane?

**JAN BLADEN, EXECUTIVE ADVISOR AND PROGRAMME LEAD, ABU DHABI GLOBAL MARKET (ADGM)** DISCUSSES HOW START-UPS CAN IMPROVE THEIR CHANCES WHEN APPROACHING INVESTORS

Jan Bladen

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>
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For many entrepreneurs and SME owners coming up with the initial business idea is the easy part; the real challenge comes when executing the idea and setting up the venture. One of the most difficult aspects to starting a new business is when, and how, to raise money and it's this question that separates the potential SME superstars from their peers.

Milestone funding–identifying key milestones and calculating how much capital you will need to raise in order to achieve these milestones–is the best way to determine and articulate how much capital you will need and when. SMEs that base their funding strategy on milestone funding are able to show how much money is needed and what they are going to do with it, inspiring confidence in investors that they will see a return on their investment.

The majority of experienced investors tend to overlook business plans and focus on the entrepreneur or business leader and his story, including any presentation materials, financial forecasts and an executive summary. This is logical since the majority of investors actually invest in people and teams rather than business projects or business plans. As such, the only goal of the first submission (business executive summary) to any investor is to obtain a face-to-face meeting. Keep in mind that the content and layout of the business executive summary needs to be well thought out and structured in order to optimise business owner's chances of passing the first hurdle and meeting their potential investor.

Keep the initial document as brief as possible and limit it to a maximum of two to four pages. It must be easy to read. Images and charts speak a thousand words so optimise the use of visuals where possible. Keep the language simple and comprehensible. Remember that any word that has to be hunted for in a thesaurus is probably the wrong word.

Investors review so many deals that they become experts at filtering investment and business project proposals and a simple business executive summary will substantially increase the chances of you obtaining that initial face-to-face meeting.

The business owner should understand what an investor does and pre-empt what he wants to save both their time, and utilise the saved time to build a trusted relationship with their potential future investors while obtaining valuable advice. As the negotiations start, be a realist–no investor will provide the majority of capital in return for no control and a minority shareholding.

Once all this is done and the odds are stacked in the business owner's favour, they need to accept that they may still not succeed with the first investor they talk to. However, it is a chance for them to learn from every professional investor they talk to and make use of their investment knowledge. Ask questions–what went wrong? What could you do better? What are the typical risks and pitfalls that you need to avoid?

Appreciating what an investor does and how he screens and selects investment opportunities will allow the business owner to understand what professional investors do, how they do it, what type of information they will seek and will make the difference between leaving with, or without, a cheque.

The principal investor, or general partner as they are known in the private equity industry, raises capital by approaching external third parties, or limited partners, for capital commitments.

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