Busting the #1 Myth That May be Holding Back Your Start-up Business

by

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If you're curious about business myths and how they may be holding your business back, continue reading to discover the most widely spread business myth, as well as finding how you can succeed at proving it wrong.

The myth...

If you're an entrepreneur, one of the most discouraging statements which you may hear is that it's almost impossible to raise the capital needed in order to get your fledgling business off the ground. If you're passionate about succeeding as a self-made entrepreneur, you're in luck because there is no truth behind the myth. It is NOT impossible for new entrepreneurs to raise sufficient capital to found a successful business.

Whilst some entrepreneurs are able to rework their business models so that a large start-up fund is unnecessary, some types of start-ups genuinely need seed capital in order to get off the ground. It is unfortunate that a large percentage of lenders put up unnecessary hurdles for entrepreneurs that can cause frustration and discouragement. However, don't let that deter you because countless entrepreneurs have proven that it is possible to raise the capital needed in order to found a successful start-up business.

If you're familiar with the late Colonel Sanders, founder of Kentucky Fried Chicken (KFC) which is one of the most successful fast food restaurants in the world, you may be surprised to learn that Sanders travelled the length and breadth of the United States of America in order to raise enough capital to found his business. If Colonel Sanders bought into the myth that 'It is too hard to raise capital', what would've happened to Colonel Sanders' ingenious business plans? Worse yet, how many employees would be deprived of the benefits that KFC provides today?

The truth!

In reality, the simple truth is that it is hard to raise money if you don't follow the rules! In order to succeed as an entrepreneur and to raise the capital that you need for your start-up business, you must follow both the spoken and unspoken rules of business. Similarly, just as in any aspect of life, you need to follow the rules of your environment in order to thrive.

As a simple example, whilst the law of gravity is an established norm, it can be suspended or even utilized by the law of aerodynamics. However, first and foremost, the laws of aerodynamics must be adhered to if the laws are to function properly! The same concept can be applied to the laws around how money can be raised for business.

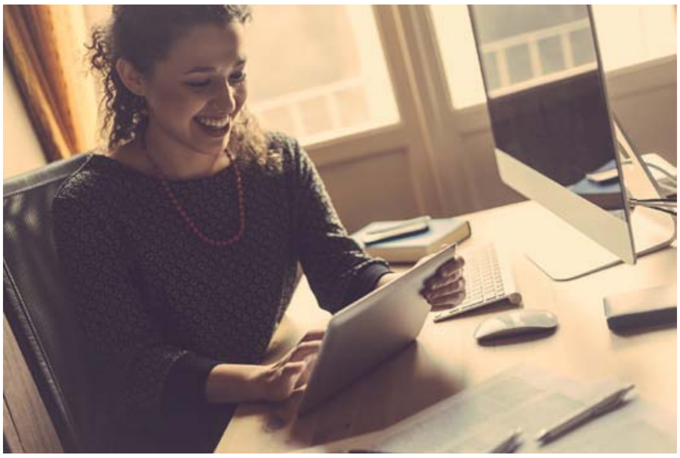
Unfortunately, many entrepreneurs try to raise capital without the proper knowledge needed to succeed. Such entrepreneurs often have set ideas and have an unwillingness to adapt, or approach business with a dangerous cocktail of ignorance and pride. I have met countless entrepreneurs who have sat idly waiting for potential investors to approach them. However, the reality is that most investors simply don't have the free time to read through all of the applications they receive.

What are the laws of successfully raising finance?

1. You must begin to raise money well before you need it.
For example, don't wait until you're billed for construction work on your new premises before you start to raise capital for your business.

2. You must find ways to get investors excited about your new business.
If you can convince potential investors that your business is bound to be a phenomenal success before you ask for an investment, you're far more likely to get potential investors to back your business.

3. You must be persistent and unwavering in believing in yourself and your business model.
You have to be prepared to do the 'hard yards', so to speak, and to go where you need to and do whatever it takes in order to raise seed capital. Whilst you shouldn't be prepared to sell your soul for the benefit of the business, you should be willing and able to 'move mountains' in order to raise capital for your fledgling business.



4. You must be flexible.
Chances are that investors will ask you to make small changes to your business plans, in exchange for a significant investment. If you're serious about succeeding as an entrepreneur, you must be open to compromise. Also, bear in mind that most investors have a great deal of business experience behind them and may be giving you invaluable business advice. In the end the advice that you're given could be the difference between your business failing and achieving phenomenal success.

The fool proof 3 step process, to raising the seed capital that your business requires

If you're willing to do anything that takes to increase your chances of successfully raising the seed capital that your business requires, it's well worth following my proven 3-step process. Why should you take my advice, you may ask? As an individual, I have successfully written over 40 business plans. Better yet, I have also raised thousands of pounds for businesses. Therefore, I believe that I'm well qualified to give sound business advice.

Step 1: Refrain from asking for an investment at your first meeting with a potential investor
During your first meeting with a potential investor, your primary goal should be to introduce yourself and your business and to learn about your potential investors. At a recent seminar, I asked a well dressed young man to stand in front of everyone. I then asked the audience what they would do if the man who stood in front of them introduced himself at a bus stop and asked for £20 with a promise to repay in two week time. The audience was in a consensus that they would not lend the £20 that he was asking for, although they could all easily afford to lend the amount.

Why was the audience unwilling to lend £20 to a well dressed man who seemed respectable and trustworthy? The answer was simple. The audience didn't know the man from a bar of soap.

The same principle applies to business. If a businessman or woman arranges a meeting with a potential investor and asks them for capital, their proposal will be declined as investors are extremely unlikely to loan thousands of pounds, to a stranger that they don't trust. If you were to ask for an investment or loan from a founder who knows little about you, the only information they'd have to make a decision is your credit rating. However, if you use your initial meeting to learn about how your potential investor's organisation works and the people that they help, the level of funding which they offer and how they would prefer to be approached, you'll sow the seeds for a successful business relationship. In the future, it's likely that your new acquaintance will be willing to champion your business on your behalf.

Step 2: Ask for advice from potential founders
What's more valuable than a cash investment? Time and expertise. Once you've laid a bit of ground work and have successfully established a relationship with someone in the funder's office, ask your contact whether it would be possible for you to send your executive summary to the office for some honest advice. After all, everyone likes to be asked for advice.

Whether or not someone has valuable advice to offer, everyone loves to be able to offer advice. Being asked for advice makes people feel respected, successful and important. It's highly likely that you'll be advised to tweak your business plan and will be given several pieces of advice on how to do so! If you can arrange a face to face meeting at this point, do so.

Next, take on board all of the advice you have been given. Once you've successfully made the necessary changes, ring your contact and let them know that you've taken all of their advice on board and that their advice was extremely helpful. At the end of your discussion go ahead and ask your contact if they would recommend that you put forward an application for funding. If they believe you're ready, congratulations. If they are hesitant, ask why and work on fixing any problems that may have cited.

Step 3: Ask for funding
Now, you're ready to ask for funding. If I may take the liberty of using the Perato Principle, I would estimate that the chances of my 3-step process working for your business is around 80%. If your proposal is declined, the answer that you'll receive will be apologetic and genuine as your potential funders would've established a relationship with you. Your business won't be automatically declined because you're a stranger and your proposal would've be given considerable contemplation.

Why are some entrepreneurs reluctant to try my three step process?

- **It may seem daunting or time consuming.** However, if you start your funding process as early as possible, you have at least an 80% of success with my 3-step process. Bear in mind that on average, it takes 18 months between first contact with potential investors and the day when you'll receive your investment.
- **There want a 100% guarantee that they'll receive the capital that they need.** I'll be the first to admit that on rare occasions, I haven't been able to secure an investment. However, when I'm unsuccessful, I make friends and contacts through my 3-step process, whom I'm able to contact in the future for further advice.
- **They mistakenly believe that they'll have to approach dozens of organisations.** If you do your research, you'll only have to contact 3-7 organizations before you receive adequate funding to launch your start-up. The idea isn't to pitch your business to every organisation available, but to approach a handful of carefully selected organisations.

What are you waiting for?
Remember that the sooner that you start applying for cash capital, the better. So why not follow my tried and true 3-step process in order to successfully raise the necessary capital for your business. After all you have over 80% chance of succeeding the first time round!

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