

## CHAPTER 3

### Going It Alone or Choosing a Fundraising Partner

Every entrepreneur in the life science field who is seeking to raise capital must make a decision at some point about whether to do so using a fundraising partner. On the surface, the answer seems obvious—let an expert who has experience in such matters handle it, so others on the team can concentrate on their areas of expertise. However, the arena of early stage fundraising partners is filled with a diverse cast of characters that constitute a “Wild West” of sorts. The purpose of this chapter is to provide you with some insight as to why a fundraising partner may or may not make sense for your company, and to examine the various forms these fundraising partners take along with their respective advantages and disadvantages.

The first thing every fundraising executive needs to do is look in the mirror and determine whether he or she has what it takes to go outbound. As we go into the nitty-gritty of exactly what it means to embark on a fundraising campaign, you need to ask yourself whether you have the capacity to create the necessary materials, compile the investor list, and stay on the task of managing outbound mailings, conducting the 30–40 daily follow-up calls, and scheduling the meetings. Simply put, some have what it takes and others do not. Some of us are pre-programmed for this kind of activity. If it’s beyond your ability or you just don’t have any experience with it, you have to ask yourself whether you want to learn how to do it. As is true with other challenging endeavors, you will only succeed in mastering all the facets of outbound fundraising if you have a strong inner desire to do so.

Marketing and lab science really aren't so dissimilar when it comes to the numbers involved. Experimental science and marketing are both based on very high failure rates—failure is innate in both of these sciences! Yes, I just stated that marketing is a science. The rates of success are similar; you have to try something 100 times before getting one or two positives. The same mind-set required in the lab must be applied to outbound marketing: you must delight in irregular wins, despite the inevitably high failure rates. Both require individuals who can persevere day to day under these adverse circumstances. That is precisely what makes a great scientist and a great marketer.

To start to develop an investor relationship, someone has to take a list of investor candidates, reach out to them, and set up meetings. This simple act is a lot harder than it sounds because every start-up is trying to talk to the same investor candidates. It is a tedious job and you have to be incredibly persistent in navigating around all the barriers that are out there.

The first big question to answer is who is going to be the point person for owning the outbound efforts needed to secure investor meetings? Let's take a quick look at the decision tree regarding this pivotal strategy (see Figure 3.1). The first and best choice is that you, the leader of your company, decides to bite the bullet and learn a new set of skills in order to go out and find the capital. If this is impossible, can someone else in your organization manage this task effectively and willingly? Your last option should be to go with a third-party entity, only if there is no possibility of a member of your company devoting the time and resources to outreach.

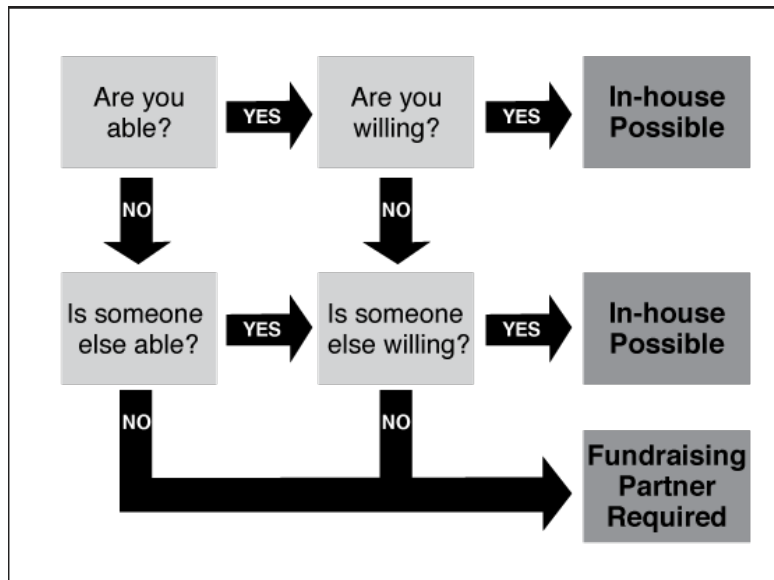


Figure 3.1: Deciding whether to use a fundraising partner

Remember that even if you choose an outside partner, you and your team are still going to be hitting the road to attend meetings; make no mistake about that fact. Somebody in-house has to own the outbound aspect of outreach to investor candidates and be actively involved in the process of courting them. You can outsource some of the specific tasks, but you still need in-house ownership of the process.

No matter who sets up the meeting, the executive team must sell the company and innovation or product to the investors. There is no way to get around that fact. Investors invest in companies, the people in the company, and the products within the company. Having a sound management team is as important as having a great product—that is a nonnegotiable fact of fundraising.