The Startup Survival Podcast by Peter Harrington

Series 2 Getting Better, Going Further

Transcript: Episode 6 – How to Find and Work with Investors

April 2021

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Speaker 1 (00:10):

Well, hello and welcome back to the startup survival podcast with me, Peter Harrington, this episode focuses on finding and working with investors. How do you search for and work with these treasured people who want to put money into your business, fuel into your startup tank? Well, my special guest, Olga Miller is a perfect companion since she has many years of experience providing finance to businesses and setting up and scaling her own entrepreneurial ventures.

Speaker 1 (00:46):

So far this series has examined startup mindset, creativity, research, and with the help of Lisa Comfort delved into an entrepreneurial case story. And of course, in episode five, we heard from the wonderful wizard of websitery Mr Chris Titley. Can I say websitery? Oh, well I just have. Onwards. Chris shared the secrets of designing digital destinations people love to find, visit and shout about. And by chance Chris's interview was very timely for me. Let me share. Over the last 12 months and with the help of a music industry professional, the genius who is Oliver, we have spent many days of pandemic time thinking creatively, doing research and building a website for a new social enterprise, a social enterprise we've called Moto Music. If you're curious, you can Google motto music. That's two words, motto, M O double T O music, M U S I C.org.

Speaker 1 (01:43):

If you are searching in the spring of 2021, you're probably find this website in beta format. You'll also discover our social enterprise record label puts artists first, and you'll learn how Motto Music is seeking to disrupt the music industry in its own small way as a community interest company. We are also considering talking to investors. Yes, you heard that correctly investors are very interested in not-for-profit organizations. And as part of this episodes interview, this will be one of the topics I raise with my special guest Olga Miller. Of course, when Olga agreed to be interviewed, I knew that just like my meeting with Chris Titley our time together would be a genuine opportunity for me to learn more lessons and get some top tips.

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Speaker 1 (02:35):

Avid listeners may recognize Olga since she lit up episode eight in series one. She was such a great guest. I had to get her back on the show. But if you haven't heard her speak, Olga is a global innovation expert and TEDx speaker who has been recognized for her transformational achievements to change the financial services industry for women. The global mainstream media, often seek her views, and she's won numerous awards, including inspirational woman of the year, 2019. Following her career at UBS, She co-founded her own startup SmartPurse, a financial toolkit for women. And thanks to the delights of the digital airwaves. Olga is here with me now. Olga Miller, welcome to the startup survival podcast.

Speaker 2 (03:24):

Well, thanks for having me back, Peter. I'm delighted to be here again. Thank you.

Speaker 1 (03:29):

Hi Olga. Now you have a huge amount of experience in the finance industry. And as an entrepreneur. Before I ask you about startups' quest to find and work with investors, can you share a bit more about your background?

Speaker 2 (03:42):

Yeah, absolutely. So look I was a woman in banking as you know, and with that also sitting with a foot in the innovation lab. So my job was to assess startups and help startups and coach startups, and to see whether they are suitable for, for collaboration or potentially also for investments. I have done, also done that working with, with a couple of investors and a couple of groups over here in Switzerland. And then yes. Once I decided to become an entrepreneur myself or go on for my own venture, I had to do it all from the other side. Right. So all in a sudden sitting on the pitching side of the pitching table and, and looking for funding, which both of it has been an absolutely fantastic experience so far.

Speaker 1 (04:29):

And how many years Olga did you work in banking on the investment side?

Speaker 2 (04:33):

So I've worked for more than 15 years in the financial services industry and in different banks. And I still work in finance now just, just as a FinTech ed tech entrepreneur. So I think total is, is yeah, a little bit more than, than 18 years.

Speaker 1 (04:50):

How long have your feet been in the start-up waters?

Speaker 2 (04:54):

In the startup waters? My feet have been probably 29 years because I founded my first venture at about the age of 17 with a very first investor who was my mother. And we can talk about that a little bit later who basically provided me with some infrastructure and ever since then I had a startup running and working a job. So SmartPurse is my third startup.

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Speaker 1 (05:21):

Olga, let's kick off by talking about investors. Are they all the same or do they come in different shapes and sizes?

Speaker 3 (05:29):

I think that they are, none of them is the same. Actually they come in different groups, right? Angel investors, venture capital funds, private investors who might come from your close environment, syndicates that might invest in you. So they are kind of make up groups. And these made the groups behave in a certain way. And I think it's also different things that they are looking for from, from an investment initially. But what is even more important is to recognize that investors also are human beings. And as human beings, they take an interest in you as a founder in you and, and your venture. And in that regard, none of them is the same

Speaker 1 (06:13):

To help someone who is at the beginning of their startup journey. Can you share the differences between angel investors and venture capital funds?

Speaker 2 (06:22):

Yeah, so the angel investors usually invest in early stage of a startup. So when you are really at the beginning of your journey, usually they invest much smaller tickets. Potentially they can invest as a, as a group. Their capital is, you know, I would say more founder friendly in regards, that may be the conditions that you need to meet are not as harsh and as rigorous. Whereas a venture capital fund they'll invest in you for a different purpose. Mostly the purpose is either they love what you are doing or they want to see the startup grow, obviously in order then to exit and to take a profit, which doesn't make them bad investors at all. It's just that the metrics that will be applied to you are very different. And so I think one, one of the things to consider is, you know, what type of investor are you looking for?

Speaker 2 (07:20):

What experience are you looking for? How willing are you to go with, with a certain system, right? Eg being measured against certain objectives and to consider all of this before you embark on a funding journey. Many of the different funds that invest in startups also stated very clearly what stage you need to be at, or need to need to meet. And it's always very helpful for anyone out there who is thinking about starting this journey to always do good reading, right. Read their website. Usually they are very transparent about we invest in this. We are looking for these things. We are looking for example, companies, ABC. And I think it's just very good practice to have an understanding because it can save you a lot of time. I read once in a research that I think venture capitalists take about one minute to look at the pitch deck when it lands on their table. So it's a little bit like applying for a job, right? You have to be precise in why are you seeking their investment? And you have to be precise also to kind of meet what these investors are looking for.

Speaker 2 (08:41):

Olga makes a very interesting point here. If you are serious about getting a job, you really want, you have to be precise. Precise with the research precise, with who you target and precise with what you communicate. Scattergun approach is job hunting, rarely succeed, and typically prove to be a complete waste of time. In episode five, you heard Chris, Titley talk about how noise gets in the way of effective website communication. Chris's advice works here too. You have to learn what an investor wants to hear and how to present that information. As an entrepreneur in residence, I've listened to hundreds of startups pitch and like Olga said, I find myself sensing within a very short space of time. Yes. A minute. Whether the personal people in front of me are investor ready. Later we'll be looking at how to start your pitch. So you get people's attention. But for now, let's go back to Olga and consider the search for investors. Olga, how does a startup keen to get investment, go about finding an investor?

Speaker 2 (09:41):

So I think it's, it's a number of things in, in my experience. First and foremost, you need to have clarity about why you are seeking investment and what you are seeking this investment for. That's I think condition number one, because there always is the option that you bootstrap your startup, right? Both comes with pros and cons, but he, we talking about when you seek investment. So having clarity on why you want investment and what you want it for. Two, I think you need to be clear for yourself. What is it that the investor should bring to the table? Are you just looking for the money? Are you looking for expertise? Are they meant to help you to grow your business by connecting you further? Right. What, what are the qualities that you expect and you would ideally have, it's like writing a profile sheet. I think then it needs to be very, you should be very clear for yourself. What are my conditions? Yes. You might be negotiating and, you know, compromising on valuation potentially you might need to compromise on other things, knowing your boundaries there and how far you are willing to go from the start might be very good practice. I certainly would recommend that. And having the open-mindedness that the whole thing might not go as you planned, then yes, they might be compromises as needed in exchange for certain benefits. But having clarity, I think will make you more sound.

Speaker 1 (11:09):

For reference. If you weren't aware the process of bootstrapping that Olga refers to is when you fund your venture with your own money. But back to the interview. Olga from your experience, what's important to an investor, how are they thinking when they meet a startup that seeks funding?

Speaker 2 (11:28):

I think obviously it has to be a startup that is in a field of interest. Okay. I've seen many pitchers fail because they were not in the field of interest. So if you are, if you are a fund investing in FinTech and somebody provides a page for a fantastic food solution, you pitch might be as stellar as it is, you will never get anywhere. So it has to be in a field of interest. You need to have clear, clearly explainable and clearly understandable business proposition. And I think it was so nice in one of the accelerator trainings that I've been at. Somebody said, you know, the most successful businesses have been built on a very simple proposition. And I think that is such a, was such a nice, personal learning actually also for me you know, with SmartPurse, it took us about a year to figure out how we can clarify this proposition. Before that it wasn't pitchable. So having a clear proposition that you can clearly easily and rather rapidly explain, you need obviously a commercial model because the investor invest, it's not a donor, it's an investor, right?

Speaker 2 (12:33):

So they do expect a revenue in return or at least the hope that your startup is, is most likely to succeed and produce a revenue. And that also means that you need to be prepared to answer questions around how would you exit the startup and if you would exit at all, right? Because exit is one, one of the ways where the investors actually will get their investments worth. So you don't need to think about this now when you are starting today, but you should have clarity and be prepared to answer these questions. And then I think you need a product that people love. And for me, one of my big learnings was that it's not necessarily about the amount of people or the size of revenues. Definitely not after starting stage, but having a small group of

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people that is scalable, where you can demonstrate that you can take it to scale that loves and adores your product and be able to demonstrate that definitely puts you on a winning side.

Speaker 1 (13:38):

So far Olga you've talked about for profit ventures, but I mentioned in this episodes introduction that I would be sharing thoughts and ideas as to how investors work with not-for-profit social enterprises. Can you share any details about venture capitalists or angels who want to support this kind of organization?

Speaker 2 (14:00):

I think they are impact investors, right? And they also are impact startup accelerators. Actually more and more of them coming because it's not such an uncommon thing. And I think for, for, for a venture that is looking at making a social difference, you will always have this balancing act, right? How much for profit versus how much social difference do you make and give out for free? We had these debates in, in our venture a lot in order to, to determine, right, because financial education also could be something that is financed through donations and through campaigns. So I think again, they are having clarity on your business model and the clear decision will help you to narrow down your search and the investor universe. And if you are a social enterprise, of course, one of the cool ideas can be, for instance, to consider, do to be a for-profit model, but certified as a B Corp. And having some exploratory discussions with some impact impact accelerators that look for both and kind of understand how these newer business models can be shaped and formed because they are all kind of forms including hybrids where a venture might have not for profit foundation, right from which they funnel certain activities through donations and a for-profit lag, which is then a normal investment.

Speaker 2 (15:28):

So making yourself smart in, in kind of what models are out there when you are looking at the social impacts sphere. And understand where is your opportunity to make revenues and how do you want to finance yourself? I think is probably cornerstone of the strategy from the start, because unless you have clarity about these things, what will happen is your search for investors can become infinite and undoubtedly frustrating linking to the things that we discussed before Peter, right? Where, you know, if there is a mismatch between interest teams and what you have to offer or what you startup has, has to offer, then it will become super frustrating. It's like applying for the wrong job.

Speaker 1 (16:15):

So social enterprise is seeking to scale using external investment need to find impact investors. On the note of searching for any time Olga, have you any top tips you can share?

Speaker 2 (16:28):

I think my friend who is really brilliant received when I was really frustrated about the fundraising process, she told me once and say, Oh God, I don't know why you are frustrated. It is a research and the numbers game. So get on Crunchbase, start their search for all the people that could be applicable, put a great pitch together and reach out to them. Right? So I think using the common startup tools, such as Crunchbase or some of these other information platforms can give you a first starting point. The second thing to do research, right? Really do research. Where are the innovative funds, VCs angels that finance something like you. Asking other startups, right, is another source of recommendation. Going by rankings. So for instance, they are some, some good lists around, you know, Europe's top 10 accelerators, et cetera. So you really need to do some homework there.

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Speaker 2 (17:30):

I personally also got a lot of introductions to different kinds of investors and increase my knowledge through 'Officehours', many of the larger accelerators around 'Officehours'. So attending or applying for one of those. And then, you know, you meet someone and maybe it's not, not an exact match, but you can say, Hey, I'm doing this. Would you have any recommendation for me? Who should I speak to? Right. that can be a very good source. So fundraising is a process of diligence. And in my view, it also is a cumbersome and time consuming process. So that's why my recommendation is when you decide to go on a fundraising, run, give it a time and attention. It's nothing you do. You know, as a sidekick. Then you are fundraising and you are doing it like you are building your IT or like you are building your, your product. You need to do it with the same rigor because otherwise it becomes endless or circumstantial and bode is not beneficial.

Speaker 1 (18:31):

I've one final question on this subject, Olga. What are the typical timescales like for anyone seeking to find and complete a deal with an investor?

Speaker 2 (18:41):

It depends on how much capital you need and on what you know, at what stage you are at. But now during, during kind of pandemic volatile times, I think counting on something like eight to 10 months from starting your process to, to closing the capital might be a good idea. Which also means that you need to start the process early enough because there is this, this old saying, it's always easier to get money when you are not necessarily looking for some.

Speaker 1 (19:14):

Olga's talked about ways of searching for investors, practical timescales, and of course, valuable funding sources. And a little online rummaging using your favorite search engine will reveal other popular crowdfunding platforms like crowd cube Crowdfunder and Kickstarter. You may even find CrowdBazaar, a recently formed highly innovative web platform that connects startups in countries like India with investors around the world. CrownBazaar is the brainchild of two young LSE entrepreneurs, and they are making waves and building a new community space. And as part of my own further research into investment platforms, I also spoke with a good friend. Rob. Rob is an active investor in startup businesses that seek money via crowdfunding. The site he uses regularly is SEEDRs that's S E E D R s.com. SEEDRS is a UK based equity crowdfunding platform founded in 2012. And over the past few years, Rob has invested small amounts in hundreds of startups to help you understand how he's thinking.

Speaker 1 (20:20):

I wanted Rob's insight and perspective on investment using this platform. So I asked him about why SEEDRS appealed. And he told me the organization was the original innovator and disruptor in the space, which allowed investors to invest small amounts in lots of startups. Advantages of the SEEDRS platform. He told me included the fact that they do the due diligence and ensure investors are not putting money into scams. The platform also allows investors to track easily the progress of any investment, regardless of the volume of startups and investor supports. Rob also mentioned the fact that the platform made it easy for him to access startup at business plan details and that any investment he makes typically only takes a couple of clicks. Rob went on to say that he typically invested a maximum of 200 pounds in any single company and supporting so many startups, allowed him to diversify his portfolio.

Speaker 1 (21:16):

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As a busy professional, Rob highlighted he only has a few minutes to review each business. So when reading plans, you really only looked for two key points. One, whether the business had a clear vision and two how the business model was different to competitors. If both issues were clear, Rob admitted, he was likely to invest. Some might wonder it's such an investment strategy, but the world is full of busy people seeking to spread their investment portfolio, a strategy, the Seedrs, or a similar crowdfunding site. Isn't going to connect you with the one investor, but you could connect with thousands of people who between them may collectively invest the sum you seek. And of course, an investor is also much more likely to be a fan and supporter of your business. You may be feeling a tad overwhelmed by the amount of information and advice and concerned about how best to move forward. And that's why I wanted to ask Olga my next question, Olga, what are the common mistakes startups fresh to the process make when seeking investment?

Speaker 2 (22:25):

In my experience, it always very often fails a mismatch between what you are looking for and what the investor is looking for. So kind of wrong type of investor you, you pitching to the wrong tree. Okay. It's so that, that is the thing wrong timing. Sometimes timing is important sometimes it's as you know, not now. And then six months later, things change and all in a sudden is good because also all the different investors go through an evolution, right? They are not static things. Their strategies might change. Their priorities might change. So just because you get to know one time still doesn't mean that you can't try in six months again. The conditions is a third thing. So you overvalue you venture. This was especially during, during, you know, last year during, during the hard times of Corona when you were looking for capital, obviously overvaluing your venture can make your pitch fail and not having a good rationale for, for that. And then the business proposition being unclear and your, your business model being unclear. People need to understand what you are offering and how your thing is making money. And they need to understand that in the first 45 seconds.

Speaker 1 (23:44):

Olga, let's now focus on the pitch and specifically how startups communicate their idea to investors. I'm sure it's very important for startups to present with clarity.

Speaker 2 (23:54):

Absolutely. And I think this is not only that. I also think you need a well done pitch deck with all of the modern design tools. You know, the standard has risen, right? No more crappy charts. It's like a large business card. You want this thing either you do it yourself with some design tools or hire an intern or get on Fiverr and get a designer to design it nicely for you. But it has to look good. It has to look good. It has to be clear. It's, it's where to invest in that.

Speaker 1 (24:30):

As I mentioned earlier, I have listened to many startup pitches over the years. And so I thought it might be useful to share some ideas about what to do and what not to do. when presenting. As the presenter, you are the focus. It's not your slides. It's not your pitch deck. It's you. Get to the point straight away, engage the audience, tell people the specific problem your venture addresses. Don't start by telling people your name and the name of your company. If you have provided a handout or have a slide on the screen, that information will be there. And rehearse beforehand. Practice ensure you have received independent scrutiny and feedback and best not to ask your mates. As Diana Kander said, they will lie to you. When presenting use research backed data, to demonstrate the scale of the problem, your business addresses before sharing your innovative entrepreneurial solution. And speak with clarity, speak with passion, speak

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with authority. And here we go again. Storify your presentation because people comprehend and remember stories far better than a collection of facts and ideas.

Speaker 1 (25:53):

Preparation, planning, and lots of practice will make you a standout presenter. But the chances are that in your quest for investment, you will fail often before you succeed. But through this process, you will meet many people. So, so back to Olga, Olga, how should startups seeking investment view their relationship with a potential investor?

Speaker 2 (26:19):

I think one of the things that is very important to realize is that the relationship is important. It's in some cases, a forming relationship, ultimately you are asking the other person to trust in you as a person. That's very important. Many investors invest in you as a person and secondary into the idea because they want to be sure that you have the stamina, that you have, the energy that you have, the skills and the knowledge to take this forward, and that you are also collaborative and, and good to work with. And it is a relationship to be formed, right? It is a relationship in the end. This person will give you money, skill, access in some cases, their reputation. So some of the most honorable things that they are, so maybe they won't do it on the first meeting. And maybe you also don't want them to do it on the first meeting.

Speaker 2 (27:21):

So it is always very good to do two things. If you get to know, ask for feedback, have the courage to ask for feedback so you can improve and you know, where the thing has failed. And if you ask for feedback, my experience was in 95% of the cases, you will get very good feedback that help you through your thinking. So that's, that's a good thing and ask whether you could come again. Right again, it's human beings that we are talking about. And they also are interested in you as a human being, even though the whole fundraising process, you know, a lot of it happens online and you need to submit your, your pitch decks and you need to write up, you know, value proposition through all these online forms. Once you kind of had a contact, it's also good to stay in touch and say, Hey, we did this. And just, just treat it as any other relationship. It's not a one off game.

Speaker 1 (28:18):

Olga there is a lot of emotion surrounding any pitch. Startups are putting their business on the line. And in many cases are completely dependent on money from investors to move their venture forward. But how are investors feeling at this moment?

Speaker 2 (28:34):

I think a lot of it is of course, based on all of the right circumstances that we discussed before. And then it's also gut feeling and gut feeling gets provoked by, yes, you, you presented your material well, but most importantly, by the person you have in front of you. Right? many of the investors I have met, they kind of develop a radar, laser sense, radar screen. They ask the right questions immediately. And that's why I also think going through a fundraising process is very forming for a venture because you learn a lot, right? You learn a lot because people look at what you are doing with very different eyes. And if you take it as an opportunity to evolve from that, it actually will make your whole venture so much better. Whether you walk away with the money or not. It doesn't, I mean, ultimately you want to walk away with the money, of course, but it is a, is a business sharpening process that requires a lot of energy not just during the process. But I find being open enough to embrace the feedback and do something with it. So that's why I personally

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find fundraising the fundraising phase, such an exhaustive phase, not necessarily because of the labor, but because it makes you rethink everything that's happening in the venture again. And you also see how you improve.

Speaker 1 (30:03):

You mentioned investors, gut feeling they're Olga. Do startups need to appreciate that? Pitching to an investor requires rigor and data, which is the science, but also acknowledge the art of how they communicate.

Speaker 2 (30:18):

You know, it's very human. Don't we all, when we take a big decision in the end, consider all of the data, consider all of these things, but bottom line, it's also part of what is in your belly by you say, you know what, I'm going to go and going to do it. I think everybody can consider that feeling was decided on embark on a venture. You already went through that feeling once, because it was part of the decision that you took becoming an entrepreneur. It means jumping off a cliff, right? It means partially for some people quitting their jobs and getting on this. And you just have to put yourself into those back in that moment where you say that you had this utter belief that does what, whatever you are doing is going to be successful enough so that you can make a living of it. And I think that is exactly the feeling you want to provoke in the investor. That's the whole package will be something that they can't resist and they trust enough so that they will put their heart, soul and money into you and whatever it is that you are doing.

Speaker 1 (31:25):

That's great, Olga. So my final question is this, a startup has been successful and the investor wants to back the venture. Great. Obviously the investor wants the business to be successful, but what does the investor seek from the relationship with the startup?

Speaker 2 (31:44):

I think that depends on who the investor is. You have some that are very silent, that did it for a good reason, and they very happy if you, if you provide an update and say, you know, this is how it has been going. There also are some that are very engaged. Funds will have certain conditions, how they want to work with you. So I think it's as part of the process for you to investigate and understand what these investors want from you and what their conditions are.

Speaker 2 (32:14):

Okay. So it's clearly not a case of one size fitting all. Olga it's been a real pleasure having you here on the show. I'm certain your insight and advice will help steer many, a startup to investment success.

Speaker 3 (32:31):

Thank you so much, Peter pleasure.

Speaker 2 (32:37):

Well there you have it. Olga Miller shared so much in that interview. And another key point of hers that I must embellish before moving onto this episode's book recommendation is the issue of trust. If you listen to episode three in series one, you will have heard how professor Francis Frei from Harvard university explains the three key component parts underpinning the issue of trust. Those parts are authenticity, logic

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rigor, and empathy. When you are asking investors for money, trust is the key issue. So in everything you do be authentic, be yourself, present your pitch, your case for investment in a clear manner so people understand your thinking immediately and throughout. And tune in to the investors. Don't be a robot. Don't go through the same motions. Look at how investors behave, listen to what they say and recognize they are not just investors. They are people.

Speaker 1 (33:48):

All of this brings me onto the book recommendation for this episode, another key reason why investors will choose you is because your idea, your business model, your story stands out. You are different distinct. You have positioned yourself away from the competitive mainstream to demonstrate the power of your difference. You need to use every best resource at your disposal. And Olga mentioned that the quality of pitching and pitch decks has moved on. To inspire you, to communicate and present with brilliance. I want to recommend that you buy the book 'Information is Beautiful. Words quite rightly can't do justice to the brilliance and beauty of this resource. So go get it and be inspired to turn data into art. I can't recommend a better book to help you illustrate your story.

Speaker 1 (34:48):

I really hope you feel this episode has been a worthwhile investment of your time, but let me secure your interest for one more minute. As I need to acknowledge our terrific guest Olga Miller.

Speaker 1 (35:04):

Olga thank you for sharing your understanding of a complex subject with such clarity. And thank you to Duncan my producer, Chris for your research, and a grateful nod to the music sponsors Seajam moths. And let me raise my glass once again to LSE generate within the London school of economics, as well as to the SimVenture team who allowed me time out to do this in the next episode to be published on Thursday, the 22nd of April in four weeks time, I need a bit of a break. I'll be talking to an experienced social entrepreneur. And I'll be finding out how and why Sebastian started his social enterprise and talking to him about his work in Colombia, in the field of sex education. Meanwhile, your podcast feedback is not just welcomed, it's needed. Share what you really like. And let me know the truth about what needs to be improved. And of course, whatever you're listening, channel of preference, don't forget to rate, review and subscribe. Until we meet again. My name's Peter Harrington and this has been your Startup Survival Podcast.

Go well, stay safe and thank you.

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