

# Sources of Financing for Entrepreneurs

The IEEE Boston Entrepreneur Network

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# Entrepreneurship

- HBS Working Definition: The relentless pursuit of opportunity beyond the constraints of the resources currently controlled
- A complete process for pursuing opportunity from identification to harvesting
- A way of managing
  - Promoter
  - Entrepreneur
  - Manager
  - Trustee

Source: Howard Stevenson

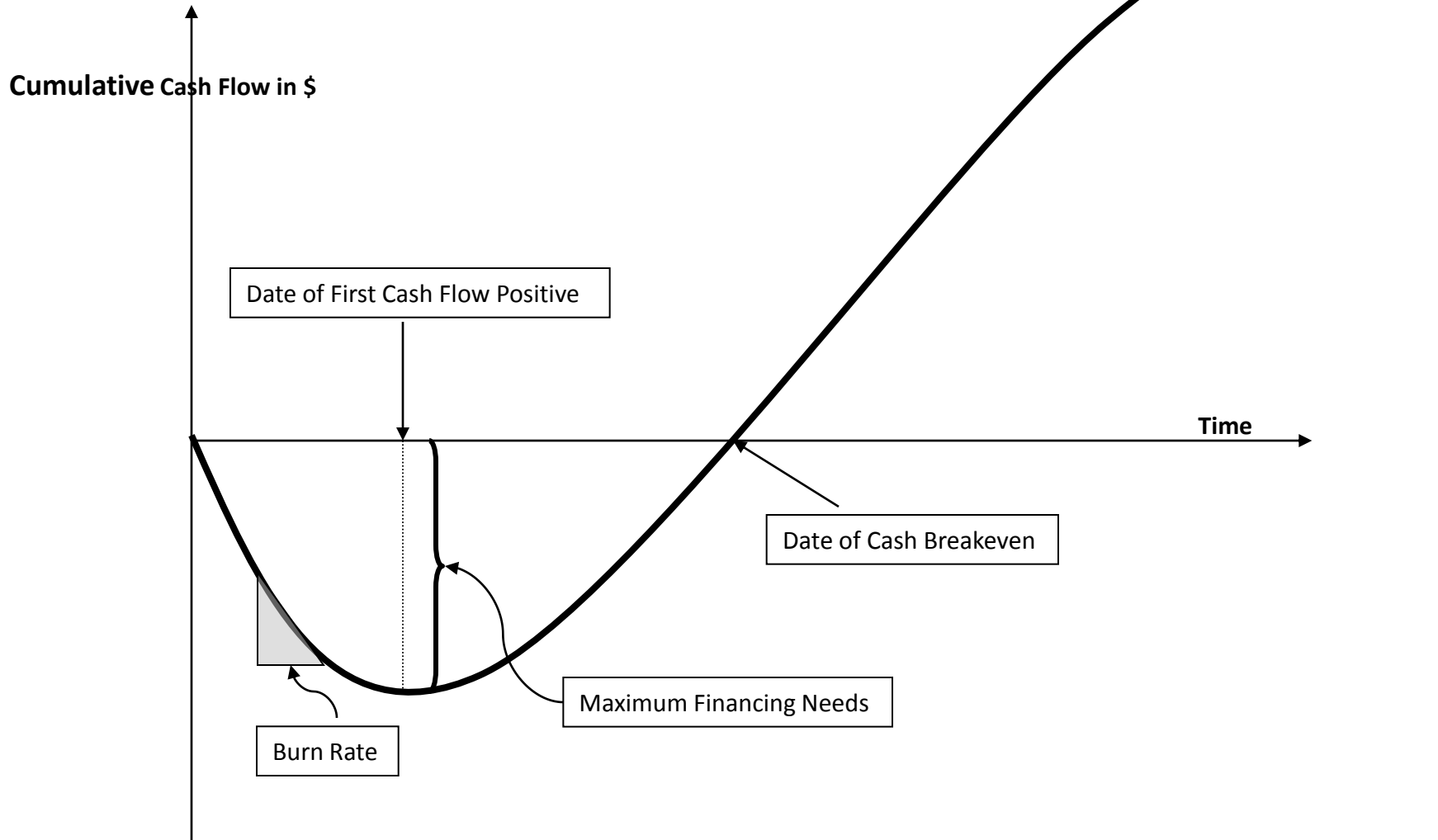
# Fundamentals for the Entrepreneur

- Recognizing and Assessing Opportunity
- Translating Opportunity into a Business Plan with Realistic Monthly Cash Flow Forecast
- Managing Ventures as a Series of Experiments
- Accessing Sources of Financing
- Building a Team and Organization for the future
- Providing a way to recognize value for Stakeholder

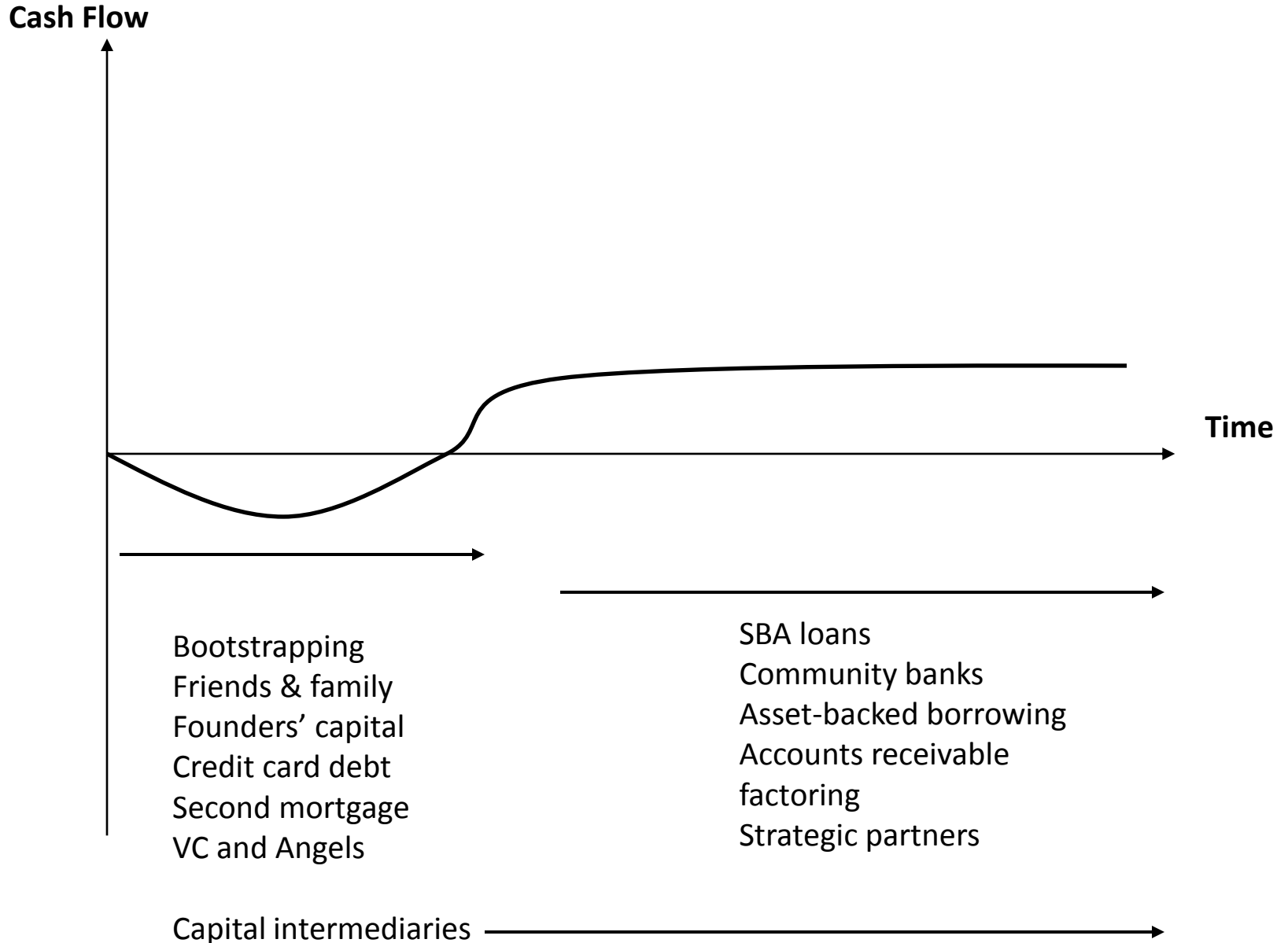
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# The Cash Flow Cycle for a Venture



# Nature of Opportunity Drives Financing Needs



# Questions on Sources of Financing

- **How much money will we need?**
  - How deep is the cash trough?
  - What stage are we in the life-cycle of this opportunity? How close to break-even?
- **From whom should we raise money?**
  - What do they provide in addition to funds? Expertise? Networks? Credibility?
  - What will be their impact on our future fund-raising efforts?
  - How will this deal influence our future flexibility?
- **What are my personal preferences?**
  - How much control am I willing to give up? Do I want to be rich or king?
  - Am I willing to make a personal guarantee?
  - What level of risk can I--and my family/significant other--live with?
- **Is this a good time to raise money?**
  - What is happening in the broader capital markets right now?

# Sources of Financing

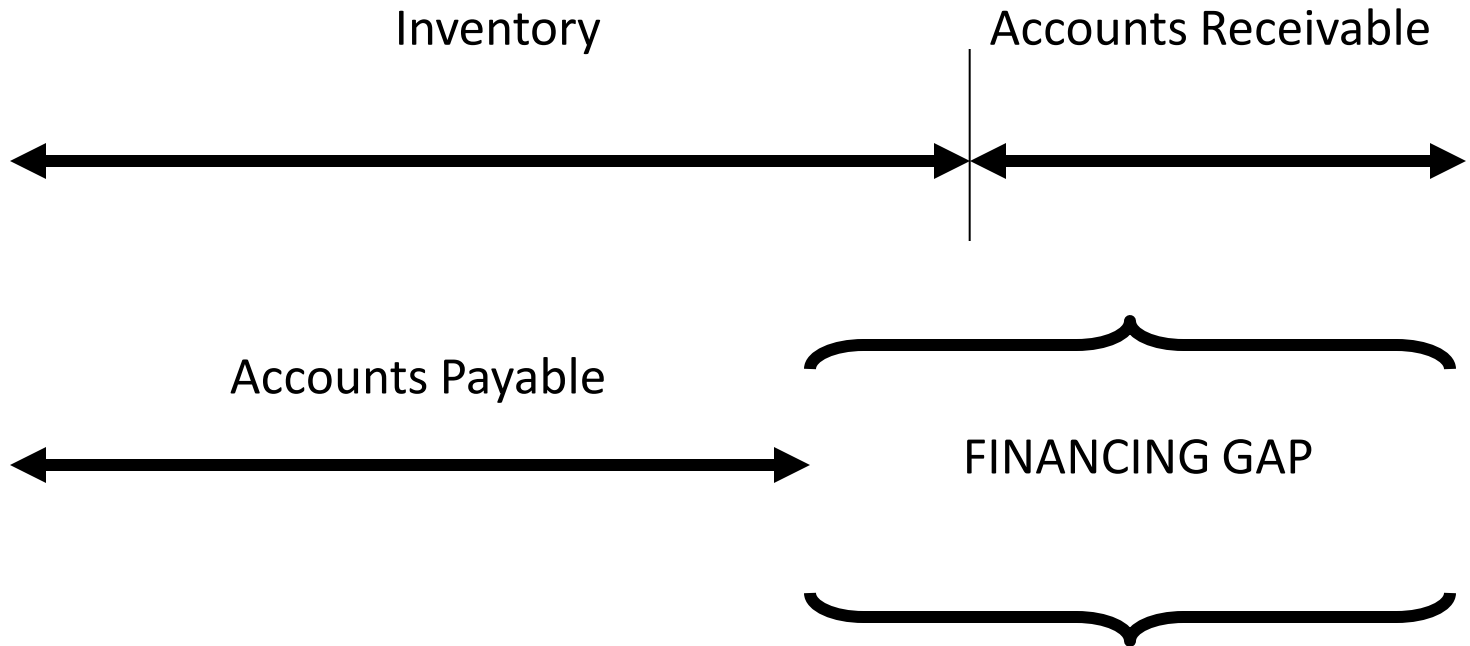
- Own Money/Customers/Suppliers
- Friends and Family
- Angels
- Early Stage VC
- Traditional VC
- Asset Lenders (Banks)
- Corporations and Governments



# Pluses and Minuses

Source	Plus Features	Minus Features
Own Money	<ul style="list-style-type: none"><li>• Relatively Easy Access</li><li>• Retains control with minimum oversight</li></ul>	<ul style="list-style-type: none"><li>• Requires some personal wealth</li><li>• Requires positive cash flow early</li><li>• Growth may be Limited</li><li>• Locks you into Vendor/Customer</li></ul>
Customers/Suppliers		
Friends & Family		
Angels		
Early Stage VC		
Traditional VC		
Asset Lenders		
Corporations		

# Working Capital Financing Cycle



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Friends & Family	<ul style="list-style-type: none"><li>• Easily Accessible</li><li>• Good Terms</li><li>• Little Due Diligence</li></ul>	<ul style="list-style-type: none"><li>• Lack of sophistication</li><li>• Frequent Updates on progress</li><li>• “Thanksgiving Dinner”</li></ul>
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Corporations	<ul style="list-style-type: none"><li>• Extensive Resources</li><li>• Provide Credibility</li><li>• Exit Strategy easy</li></ul>	<ul style="list-style-type: none"><li>• Slow Decision Making Process</li><li>• May Limit Upside for You</li></ul>