

# Are you investment ready?

*“Understanding how to be a good investor makes you a better business manager and vice versa.” Charlie Munger*

*“Many of the biggest and most far-reaching investments we make in our lives are investments that have little or nothing to do with money.” Daniel Quinn*

## **The big idea**

Investment readiness means that you are in a strong position to present your business to different investors and meet their requirements. You may have a particular project to put forward or you may feel that your business is ready for rapid growth. On this basis you might consider approaching different sources of funding, such as:

- Business angels
- Venture capitalists
- Banks
- Other funders such as high net worth individuals

## **Purpose**

Seeking external support to allow your business to grow involves both ensuring you have a credible case to present and making a series of personal decisions to make sure you are comfortable with the direction you are taking the business in. The purpose of this tool is to help you think about some of the issues that might arise during this process so you are more likely to meet the needs of the investors and to succeed.

You are unlikely to be investment ready if:

- You are unwilling to give up a stake in the business
- You have an inadequate business plan

- You are not looking for fast growth. Can you provide a growth level of eight to ten times within five years?
- You do not have a proven need for your product or services
- You lack knowledge of your market
- You lack knowledge of the investment process
- You are unable to pitch your business effectively or credibly

## **The tool**

This tool consists of a questionnaire that takes you through some of the key questions you need to consider to work towards investment readiness. To use the tool take the following steps:

1. Complete the following questionnaire
2. Ensure you have evidence to support your answers
3. Record any issues or further questions that arise as you complete the questionnaire
4. If you decide not to proceed with seeking external funding, consider what that means for the future of your business. Is this a final decision or will you revisit it at a later date?
5. If you decide to proceed, consider:
  - a. Any actions you need to take to improve your investment readiness
  - b. Are you looking for national or international growth?
  - c. What further advice you might seek to prepare your case
  - d. Whether you need training in this area

	Yes	No
<b>The market</b>		
Are you operating in a high growth industry/sector?		
Do you have a first-to-market advantage?		
Do you have innovative products or services?		
Do you have a unique selling proposition?		
Is there a global market for your products or services?		
Is there clear evidence of a market need for your products or services?		
Have you undertaken any formal market research?		
Do you have both primary and secondary sources of information about the market?		
Are you able to list all your potential domestic and/or international market segments?		
Do you have a clear indication of the market size?		
Have you completed a competitor analysis?		
<b>Your business</b>		
Do you have a comprehensive business plan?		
Have you identified your strengths and weaknesses? And how you intend to deal with them?		
Do you own your intellectual property? Have you protected your intellectual property and can you show a strategy for protecting future developments?		
Is the legal structure of your company clear and appropriate?		

	Yes	No
Is the company compliant with current legislation and regulatory requirements?		
Are you able to supply a copy of your company registration documents?		
Is there a shareholder's agreement?		
Are you facing any litigation – current, pending or potential?		
Does the business have appropriate insurance coverage?		
<b>Your finances</b>		
Have you identified the level of funding required?		
Have you identified the type of funding required? (business angel or venture capital etc)		
Are you able to supply audited accounts?		
Are you able to supply projected operational and financial statements?		
Are you able to supply projected earnings and cashflow forecasts?		
Are you able to provide details of types of shares and share distributions to potential investors?		
Are the business' accounting policies in accordance with accounting standards?		
Are your personal and business affairs clearly separated in the operation of the business?		
Are the director's credit cards or holidays funded by the business?		
<b>Your people</b>		
Do you have an effective management team (where one exists)?		
Do the people involved in your business have a diverse range of skills?		

	Yes	No
Where you are working on your own or with a small team, do you have access to a wider range of advisers and skills?		
Are the shareholders realistic about the business' market value?		
Are current employee contracts in place for all staff (where appropriate)?		
Does the business have a properly constituted board that meets at regular intervals?		
<b>Your business case</b>		
Are you able to clearly demonstrate the opportunity you are intending to address?		
Have you clearly identified the level of benefits arising from the opportunity?		
Have you undertaken a risk analysis?		
Do you have realistic cost projections?		
<b>About you</b>		
Do you understand the investment process – timescales, due diligence, legal requirements, key documents, handling investor requirements etc?		
Are you ready to accept equity?		
Can you clearly identify the characteristics of your ideal investor?		
Have you perfected your pitches/presentations to investors?		
Are you ready to undergo the due diligence process?		
Are you ready to work with new stakeholders?		

## **Take the next step**

How does it feel to think about your business growing in this way? Do you know of other people who have followed a similar path, consider approaching them to learn more about their experiences. Which aspect of this process concerns you most? Which aspect excites you the most?