

# Access to finance is the key to an entrepreneurial culture



**TOBY REID**, operations manager at Growth Investment network, introduces BEM's new business funding section

few businesses are in the right place and the right time to experience rapid growth organically, but most will require some investment to help them successfully complete all four stages. Conversely, there are few obstacles that are faced by entrepreneurs that can't be removed by money.

Therefore to have a truly entrepreneurial culture requires an openness to and understanding of why, when and how to raise finance. It is part of our role at the Growth Investment network to promote that understanding.

If you are in business because you have a passion and you want to see your business grow then you are somewhere on the four stage path. This path will lead you inexorably to exiting your business at some stage, be it for profit or loss. If somebody offered you a huge sum of money for your business tomorrow, would you accept it? Probably. So if you understand where you are heading and you are happy for it to happen sooner rather than later, why not start working towards it now?

Over the next few editions of BEM, we are going to look at when and how to raise finance with features on the various funds in the Growth Investment network, a focus on some of the deals that have been done and some advice on how to get your business investment ready from our specialists in the network.


But for now here are a few pieces of advice to help you get started.

Start the process early, not when you are desperate for the money. Negotiating equity stakes when you are desperate for money puts you at a distinct disadvantage.

Understand what the investors are looking for. Investors think differently about your business. Try to put yourself in their shoes. Imagine if you were giving away a large chunk of money and only getting it back if the business is successful, what questions would you want to ask?

Treat raising investment like making a big sale to a new customer:

- **Research all your potential 'customers'**
- **Start networking with them first without trying the hard sell**
- **Find out what they are looking for**
- **Make sure your offering is tailored to their requirements**
- **Try the soft sell first i.e. 'if I could offer you XYZ, would you be interested?'**
- **Make the pitch when and only when you have maximised your chances of being successful**

And finally, do as much research and reading around the subject as possible and the Growth Investment website, [www.ginem.co.uk](http://www.ginem.co.uk), is a pretty good place to start! 

With the backdrop of the current economic climate few would argue that it is an important time to be building an entrepreneurial culture in our region. However, the inter-dependence of an entrepreneurial culture and our ability to raise finance is often poorly understood.

Entrepreneurship seems to be the zeitgeist of our day but what does it actually mean?

In its most simple terms entrepreneurship is the process of conceiving, realising, growing and exiting a business. The final stage is key to making the process repeatable and financially sustainable.

But what role does finance have along the way? Well, moving from concept to reality requires money. Turning reality into growth requires money. A lucky

## Fund Spotlight East Midlands Early Growth Fund

### THE FACTS

The East Midlands Early Growth Fund is a £5m venture capital fund that invests in start-up and early-stage businesses with growth potential in the East Midlands.

The East Midlands Early Growth Fund provides 'matching' finance. Every investment made must be matched or exceeded by another source, such as a business angel or the business owner. The investment may also be matched by another early stage venture capital firm, provided its fund does not contain government money. Traditional bank lending does not qualify as matching investment.

The Fund can invest up to £500,000 in any one business, with up to £250,000 available as initial funding and

up to a further £250,000 available, if required, at least six months later.

The East Midlands Early Growth Fund is financed by emda and is independently managed by E-Synergy

### THE PROCESS

Businesses may apply to the East Midlands Early Growth Fund by submitting an executive summary of their full business plan. Consisting of no more than two A4 pages, this summary should include information on why and how much investment is being sought.

Applicants of interest will move through a quick fact finding process before spending time with an investment executive from the Fund. A formal investment committee provides approval of successful applications.

### THE COMMENT

Robert Cawdron from the East Midlands Early Growth Fund said "We look for companies with compelling business propositions, which show clear growth potential, across all sectors in the region. We've invested from £20K to £250k in first round funding to a diverse group of local businesses and in many cases have returned with further funding at a later stage. The marketplace has come back strongly for us during the last six months and we're looking forward to working with even more local businesses throughout 2010."

### THE CONTACTS

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## Angel Spotlight Turning Point Investments

### THE FACTS

Turning Point Investments (TPI) principally works with SME businesses in the East Midlands who require financial and managerial support in order to achieve their high growth potential. TPI is a well established group of investors, all with a successful track record of growing businesses, who have capital available to invest in the right opportunities.

In the current economic climate, TPI are keen to focus on companies who possess fundamentally sound business models, but even though they may be currently cash constrained, still provide a platform for business growth as economic conditions improve.

Ultimately TPI, together with its partners and investors, seek to identify companies with potential and to realise growth in shareholder value.

### THE PROCESS

Applicant businesses must be able to demonstrate they have an investable future. In essence this is a Dragons Den opportunity for businesses whose future prospects might not be realised due to a lack of investment or risk short

term failure without the injection of financial and managerial expertise.

### THE COMMENT

Tom Mawhood of Turning Point Investments has this message for businesses in the region. "We have access to a fund made available by an established group of investors. These investors all have successful business backgrounds and are very keen to identify sound investment opportunities. It's my job to assess each application on its own merit and identify the investment potential

accordingly. TPI looks closely at the people behind the business and strives to establish a synergy between them and the investors. The starting point in each case is always the clarity of the business plan and the determination of those involved to achieve their growth strategy."

### THE CONTACTS

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I-r: David Peel of BPR Medical, Robert Cawdron of the East Midlands Early Growth Fund, Tom Mawhood of Turning Point UK Ltd and Peter Taylor of BPR Medical, following a joint investment in the Mansfield-based company of £500,000



Alan Clements and the Metafocus support team in Chongqing during October 2009



Alan Clements presents at the Chongqing conference

## Funding Success in Anyone's Language

**Formed in 1999, Nottingham based, Metafocus Ltd enjoyed steady growth as a website design agency, but co-founder, Alan Clements always had a greater vision.**

Thirty years of international sales and marketing experience for several blue chip companies, together with the knowledge acquired whilst establishing Metafocus, saw Clements form a very strong opinion that the future of internet marketing had to be built on a global basis. His theory was that for a company to succeed in overseas markets it would need to translate and localise its website and

Investment was received in June this year from the East Midlands Early Growth Fund and a private investor. The investment enabled Metafocus to set up an office in China, recruit a sales manager there and crucially, to build The Global Management Solution (GMS), a niche software product in international search marketing, which enables a website to be multi lingual and hosted in various target markets around the world, whilst still being managed from one central source. This division of the business trades as Metafocus Global, and is now receiving its first orders from both China and the UK.

internet marketing campaigns for international search engines. Fuelled by his passion for eastern culture, Clements took on the challenge of testing his theory on the largest international stage of all, China. After several market research and sales visits, Clements found a great interest for the global internet marketing strategy he was devising.

However, in order to take this strategy forward and grow the business, Clements was in no doubt that he would need to attract funding into the business.

The starting point to look for investment for Clements was to consult with his extensive network of contacts, and he was quickly pointed in the direction of the Growth Investment Network. Hearing the business proposition, Growth Investment then introduced Connect Midlands to the process. Following this, Metafocus was introduced to a business mentor, who could show them the route to investment, help prepare an investment plan and put them in touch with potential investors.

The whole investment process took six months, and commenting on that time, Clements said: "The process was all consuming but one I would not have missed for the world. It made us focus on and re-evaluate the direction in which we were heading. A clear business strategy evolved which has transformed our business. Having Steve Blount on board as our mentor very much concentrated the mind on making the plan work!"

Thinking of others considering investment, Clements advises: "SME's looking to attract funding need to be very clear about what they have to offer and be very focused on building a business model that will work."

He continued: "Whilst going through the investment process, I was able to develop a vision, which with the appropriate research and the support we received, has helped me find a way to grow my business."

**Further details on the GMS software can be found on [www.metafocusglobal.com](http://www.metafocusglobal.com)**

## Equity Funding Events

**12th - 14th January 2010**

### Amber Panels

*The Innovation Centre, Loughborough University*

A chance for companies to meet and present their business model to industry experts for feedback and advice

**11th February 2010**

### Right Funds For You

*Barcelo Hotel, Daventry*

An opportunity to reap advice from experts on achieving high growth potential through securing funding

**16-17th March 2010**

### Amber Workshop

*Highgate House, Northampton*

Create a winning business proposition and prepare for investment with help from experienced coaches and specialists

For further details on these and other funding related events, visit [www.ginem.co.uk](http://www.ginem.co.uk) or [www.connectmidlands.org](http://www.connectmidlands.org)

In the next issue of BEM **BECOMING INVESTMENT READY** Paul Jenkinson of Connect Midlands discusses how companies should prepare for investment **Out in January 2010**