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## **Telling a Story that Drives Investment**

*By Trevor Loy, partner, Flywheel Ventures*

When presenting an opportunity to investors, entrepreneurs usually begin by describing their invention and explaining why people need it. Next they present the financial team's projections about what customers would probably pay for the product or service and what the entrepreneurs want to charge. They end by introducing the entrepreneurial team and detailing members' credentials.

This approach is the inverse of what venture capitalists like me care about and consider when evaluating an investment. I want to hear about a venture the way I want to read a book or watch a movie: I want a story. Who are the protagonists and the other main characters? What goals do the characters hope to achieve, and how valuable would the goal be if it's reached? What challenges do the characters anticipate and how will they respond to them? Finally I want to know my role so I can decide if I want the part.

### **Outlining the story**

Character introduction is where most stories begin. In this case, the characters are entrepreneurial team members. I want to know how they know one another, the history of their working relationships, their strengths and weaknesses and what roles or skills they lack. This is the heart of the story.

Next I'll want to hear about the competitive advantages of the product and its technology foundations, as well as how the inventor plans to get the product to market. I'll zero in on the subset of technological capabilities relevant to the market opportunity being presented and watch for evidence that the entrepreneurs can execute a rapidly changing process of product development.

Next come the financial projections. An entrepreneur who has thought deeply about product sizing, pricing, sales cycle length and the costs of sales channels, distribution, support and marketing will see miscalculations and come up with answers faster than potential competitors. Financial analysis is another way of evaluating the entrepreneurial team: The best teams articulate and test their assumptions, take responsibility for the real-world results of those tests and decisively tailor their approach based on that feedback. They move rapidly through observe, orient, decide and act (OODA) decision-making; once decisions are made, they act. By analyzing

a startup's financial assumptions and projections, I'm really measuring the entrepreneurial team's intellectual honesty, customer-centered mind-set and OODA loop speed.

Finally, I want to know what money and other assistance the team needs from me and when it's needed. With all this material, I can decide if there's a place for me in the story.

Flywheel Ventures manages several investment funds, including the New Mexico Gap Fund, which invests up to \$200,000 in seed-stage business ideas. For more information, visit [www.flywheelventures.com](http://www.flywheelventures.com).

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