

Startup Funding

Entrepreneurs are key to sustaining and growing the area's business community. We have to continue to "plant" new ventures. No existing business was always there ... they all drew their first breath at some point.

The big hurdle to clear in starting a business is sufficiently financing it. Startup businesses struggle with the money thing on a daily basis. It takes a lot of money to get yourself situated in the mainstream – to make yourself viable. I haven't seen very many accurate business plan projections where the business was expected to make a profit and pay it's own way in the first year or two! These things usually take some time.

So where do we get the money to get started?

First source is usually self, friends, and family. If we have something saved we're a little bit ahead. The very best money in any startup is usually equity – money that can stay in the business and doesn't have to be paid back, at least in the near future. Family & friends invest, or loan, in a subordinate position to a commercial lender. That just means they get their money back after the commercial lender.

Next best thing is probably other kinds of private money. We're working in this state right now to locate "Angel" investors. Private individuals with the means and the interest to invest in small startup type companies. Individuals who can give some good ideas the financial strength and backing they need to become successful ventures. These are not the proverbial venture capitalists!

Venture capitalists are often referred to as a source for startup monies. The truth is that most venture capitalists stay well away from startups. The venture capitalist is usually looking for established companies with strong growth curves who need additional capital to take advantage of opportunity. In fast and out fast with a nice size return ... that's the perfect venture capital scenario!

Grants.... you can almost always tell when the little man with the question marks on his coat has been on the TV! People with ideas start looking for grant (free) monies. Grant money for startup businesses is something you just don't see everyday! Most grants are for particular uses, particular applications, and very competitive. One grant program that could be classified as startup grant money is the SBIR program (Small Business Innovation & Research). It is a very specific, very competitive program aimed at product development and introduction in response to Federal Govt. agency solicitations and guidelines. Information on this program is available through the Wyoming Business Council Regional office, Mid America Manufacturing and Technology Centers, and the Small Business Development Centers.

A commercial lender would likely want to see some sort of a track record – the startup doesn't have one yet! A lender would certainly deserve some kind of collateral (a secondary means of repayment) in case our income and cash flow projections don't pan out. That's just good business. That might be okay if we have a house to take a second mortgage on, or some other outside collateral that is free of encumbrances. Some of our new equipment might provide collateral, but usually only to collateralize a percentage of itself! Perhaps the commercial lender will look at some sort of a guarantee from one of the fore-mentioned family or friends!

Startup money is difficult to find. Best magnet I know of is a solid business plan, a well thought out concept/product, and the desire to pursue and persevere!