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The three key principles for seeking funding

Seeking funding can be an overwhelming process for any startup at the best of times. A variety of factors come into play from the maturity of a product or services to the experience of the leadership team, as well as personalities and even luck.

Even for startups that felt secure in their funding prospects, COVID-19 will have undoubtedly thrown uncertainties back into the mix due to an unclear economic future. This unprecedented situation will have impacted nearly every startup in some way, upending many carefully laid out plans, especially when it comes to funding.

Research has claimed that the current pandemic could be a “mass extinction event” for startups due to a crunch on capital. However, the startup world can remain hopeful, as results are showing the impact of the current situation on the general health of funding for the startup ecosystem doesn’t appear to be as severe as some estimates originally expected. Additional data has found that global funding for the first half of 2020 is down just 7% from the same period in 2019.

I’d gone through the process earlier this year at my own company, Synthesized. We reached a stage where we needed to continue our momentum of growing at a fast rate and felt funding was our next logical step. We closed a seed round of £2.2M. Much of the hard work from our team and our investors was over a long period of time, yet the final stages took place as the world was learning about COVID-19 and anticipating the impact it would have. Funding was finalised less than two weeks before the UK went into complete lockdown. This experience highlights to me that if you believe it's the right thing for your business, you should continue to pursue funding; external factors will always be an issue and something you can't control.

While seeking funding might seem daunting right now, I believe there are three core principles that can maximise your chances of success, regardless of the current economic environment.

Personal networks matter

From the very start of a business, you need to focus heavily on your personal and professional networks – they are the most powerful tool to help with fundraising. By tapping into them, it is a natural way to unlock funding opportunities you never knew existed.

Introductions are a stamp of approval for you and your business, making potential funders far more likely to take that call or meet for that (socially distanced) coffee. I've also found that people are keen to share their experiences, and willing to help guide you along the way. The nature of your network means that meetings tend to be quite friendly and focused.

By contrast, many founders instead focus a lot of time and energy on a cold call, free-for-all approach to finding potential investors. Although you may have a great product or service that you truly believe in, there is a level of personal buy-in that's needed to convince someone to fund you; this is where a network comes into play.

Be open and transparent

Even if founders get to the introduction stage, some make the classic mistake of treating their product or service like a highly guarded secret, afraid to go into too much detail believing investors will share it with potential competitors. It is essential to remember that a company isn't built solely on an idea. Investors also need to know how a founder plans to execute their vision to make the business a success.

Instead, be more open and honest. The idea is, of course, critical, but how you'll make it a reality is even more important. Tell your story through conversation and share your vision rather than simply going through a business deck.

It’s a process

Securing new capital is a lot like growing a business – it doesn’t happen overnight. It took us six months to decide the business was ready to seek seed funding, but that was a conscious choice. By not seeking funding immediately, you can cultivate excellent relationships across the startup ecosystem and identify who you would like to work with as investors.

Many founders think funding is just a transaction of money. It isn’t. With potentially millions of pounds at stake for all involved parties, it should be viewed as a long-term partnership that is based on trust and people you can work with. As a business grows its overall needs change, meaning efforts focused on funding don’t stop after your seed round, you need to constantly be looking toward the future.

Though the current outlook may appear bleak, the truth is that every company has always faced varying degrees of volatility. With a sound, continuous approach to pursuing funding in place, you’re really putting yourself in the best position to be successful.

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