

How to Raise Venture Capital Funding

By David Johnson

For one reason or another, you've considered putting up your own business using venture capital. It could be that you don't have enough financial resources or you don't want to risk your own money. Perhaps you've heard of some successful entrepreneurs and wished to follow their footsteps.

As you search for more information on this, you'll soon find that the first important aspect in venture capital is raising it. Here are some tips on how to raise venture capital funding.

The first step is in understanding how these capitalists and investor firms think. Basically, their goal is the same as yours - to make money. The only difference is they've spent most of their time in research - studying which businesses have the potential of growing in a couple of years. That is why in the past few years, investments are geared towards technology and biotechnology fields, as they are the fields with highest potential.

Sometimes they operate within a certain field or geographical area, so you must know the investment firms in your locality. Thus, there's the need for you to make a research on the firms within your state as well as their investment criteria. Know what they want and give it to them. If your business proposal is not in line with these businesses or does not meet their investment criteria, then make sure that your proposal is impressive enough to catch their eye.

This brings us to the next step - preparation of your business proposal. Since these firms receive tons of proposals, it is important your proposal be brief but complete. The opportunity must be well defined and clearly explained. This is only possible if you did your homework well. Know the market that you wish to penetrate as well as your competitors and their strategies.

Make sure to ask help from experts and professionals on how to draft these proposals. While it may be an added cost, the chances of your proposal getting approved will also greatly increase if you seek help. This is very important specially if you have no business background.

You may know your business well and have made a thorough research, but you haven't translated it into a clear, reasonable proposal. Have someone check your draft before submitting it. Lastly, check your proposal for any errors in typo and grammar. The figures must also be accurate.

After you've submitted your proposal and have caught the firm's attention, it is time to put up a management team. Keep in mind that with venture capital, you lose some degree of control over the company. These investment firms would also field in some of its people to sit in the board or be a part of the management team. It is therefore important that your management team be strong enough to handle the pressures from the investment firm.

If you're thinking of expanding your existing business or putting up a new one, venture capital funding is a good alternative. But before deciding on it, know the options. Read business books and articles on the topic. Then study your business plan and see if venture capital is applicable.

If you think that this is the only way to go, then go for it. Just make sure that you take all precautionary measures and know all alternative strategies to your business plan.

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