

THE HOME RUN HITTER'S GUIDE TO FUNDRAISING

HAPPY ABOUT® RAISING CAPITAL
WITHOUT PITCHING

BY DAN SAPP



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“The Home Run Hitter's Guide to Fundraising” Book Excerpt

Happy About Raising Capital
Without Pitching

By Dan Sapp

foreword by Aaron Gershenberg,
EVP for the Venture Group at
Silicon Valley Bank

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Getting “The Home Run Hitter's Guide to Fundraising” **(<http://happyabout.info/homerun-fundraising.php>)**

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Foreword by Aaron Gershenberg, EVP for the Venture Group at Silicon Valley Bank

As an executive, every time you talk you have an opportunity to move your business forward. Whether you're raising venture capital, motivating the team or brainstorming for creative solutions to pressing business challenges, the leader who talks "on purpose" (strategically and with empathy) is the one who gets results throughout the organization. I've known Dan Sapp for ten years and have worked with him on my own communication development as well as seen the results of the work he has done with executives here. "The Home Run Hitter's Guide to Fundraising" is a compelling, effective, highly readable application of Dan's thinking process to a unique communication situation that can spell the early success or failure of a young company. If all of my executives and clients used this process, I'm convinced we would all spend a lot less time narrating and translating valueless PowerPoint slides and more time taking advantage of market opportunities.

With the days of the "Dot-Com" bubble beginning to fade from memory and with more and more venture capital back in the pipeline, smart MBA's from Stanford, MIT, and Harvard have worked their fingers to the bone developing companies that are fundable. They've turned over every rock

they could to get meetings on Sand Hill Road and other centers of venture capital. The problem is that once they get those meetings many still want to turn off the lights, read from text-heavy PowerPoint slides, and put investors to sleep.

It is more than a waste of intellectual capability—it is a crime against commerce. Every time it happens, smart folks leave money on the table. You don't want to leave money on the table. You want money in your bank account. So, if you are ready to stretch your empathy muscles, connect and communicate strategically, this book is for you.

I wish all of you the best of luck in your search for the capital you need to grow your business. Put “The Home Run Hitter's Guide to Fundraising” to work and I am convinced that really working this book can increase your success in these critical meetings.

1

Rules of the Game: The Communication Delta Model

The **Communication Delta Model** is the foundation of “The Home Run Hitter’s Guide to Fundraising.” It is a process for developing and delivering ideas in a way that creates predictable change in others.

Smart leaders recognize that their ability to influence depends on their ability to move other people to action. They do this through effective communication, whether by example, in conversation, via the written word or some other way. The extent to which the actions of those other people accurately reflect a leader’s purpose, is a measure of successful communication and leadership.

Effective business communication creates change. The Communication Delta Model is based on the understanding that in order to get what you want, the people you talk to must change in some predictable way.

The Communication Delta Model



The delta (D) symbol in math and science represents the result, change or outcome of some process. The delta symbol is also relevant to our model because of its shape. Triangles are a strong structure both theoretically and practically. Structural engineers take advantage of that strength when they design and build bridges and skyscrapers. The Communication Delta Model is based on the premise that each side of this communication model depends on and gains strength from the others. If one side is weak, the communication will not be effective, and you will not have created predictable change in the listener. This will make it much harder, if not impossible to get the capital you're looking for.

This book is structured around the Communication Delta Model. We start first with the most important piece in the triangle, the heart of the process—the **Result** you must have if your meeting is going to be a success. It comes first because it drives everything that follows.

The **Needs** side of the triangle consists of both the needs of the VC and your needs as a businessperson and communicator. Without a clear understanding of both sets of needs, you will not connect with the people you talk to. A thorough needs assessment (in chapter 3) will

help you understand the power of empathy. Without empathy, your needs will get in the way of meeting the needs of those on the other side of the table.

The **Ideas** side of the triangle consists of the ideas you will select to share during your meeting. Everything you say must be what that potential investor needs to hear to be willing to create the result you want. If you start planning content before you know the result you want and the needs of those you are talking to, you end up simply dumping a bunch of data on them that is probably only interesting and valuable for you.

Finally, you have to be able to deliver your ideas in a way that adds value to your company, your brand and the perception of your leadership. The **Delivery** side of the triangle represents the choices you must make in order to have impact, create a compelling connection, and have the influence you need in order to move that VC to change in the way you need them to.

When your ideas are result-focused, driven by the needs of the people you talk to, and delivered with impact, you have a powerful tool for change.

The Dreaded Data Dump

A Data Dump is information transmitted without a clear result. We see it every time a business executive stands up and talks for an hour about the things that only have importance to the executive. Communicating solely from the perspective of the person doing the talking will never be successful. Without a radical sensitivity to the other person, you are preaching to the converted—to and for yourself.

Having seen hundreds of pitches to potential investors, I can tell you that the Data Dump is pandemic from leaders of young companies looking for capital. Almost universally these executives stand up (or sit down) and talk about what they have invented, developed, or conceived. They talk about what their technology can do, how fast it does it, and how small they can make it. If they are lucky, the investors will listen politely while they think to themselves, “So what?” Investors are in business to make money. Smart ones, even those with deep

technology backgrounds, don't care about your technology in and of itself. Sophisticated investors listen for opportunities for return on investment (ROI).

2 Defining the Win: The Result



You're not giving a speech, you're not making a presentation. You have a very short period of time to move the people on the other side of the table to some action that gets you closer to getting capital. The Communication Delta Model helps you identify the choices you must make in order to move those potential investors to action.

The Starting Point: Defining the Result

Before you are ready to start talking or even thinking about what you are going to say to a potential investor, you have to figure out why you are talking.

Why are you having this meeting? We all understand that ultimately you want money. We also know that you won't get it in the first meeting. Until you know exactly what you want out of this particular interaction, you are not ready to put pen to paper.

First, you need to define your desired *Result*. You need to see the change in the person you are talking to as a result of the conversation you will have. From now on, as you think about any business communication, start by asking "What do I want that person to do?" instead of "What should I say?"

The first question to ask yourself is—realistically—what do you want the VC to do at the end of your meeting. Specifically, how you want them to respond, what this meeting will lead to, and how the result of this meeting will move you closer to getting your capital.

Assume you can only have one result and that result must be in the form of an action on the part of the VC. For instance:

- They will agree to meet with you again with a partner
- They will introduce you to a channel partner
- They will contact your best customer or a member of your advisory board

Any of these things can be the first step in the development of this critical relationship.

The result you select right now doesn't have to be perfect. We will come back to it when you have the additional insights you need to make sure it is realistic and appropriate.

So, the *Result* is:

What you want from a specific communication as defined by some change or action on part of the other person.

A useful device for beginning to define the *Result* for any strategic communication is to fill in the blanks in the following statement:

When I finish this (*phone call, meeting, letter, voice mail, e-mail, etc.*), the VC will (*do, believe, support, call, agree, sign, meet, etc.*).

This *Result* statement works because it contains these key elements:

1. First, there is only one result. You build success step-by-step in a relationship. If you see someone you like at a bar, maybe having a quiet drink is enough for the first meeting. You can plan the wedding later.
2. Second, the action must be made by the VC. Seeing the result as an action by the other person forces you to look at the process with a greater sensitivity to the person who must act in order for you to succeed. The result should be something they will do, not something you will get. The difference between “my client will buy” and “I will sell” is critical. The first is listener-focused and therefore drives content that is listener-focused. Likewise, the second is speaker-focused and ends up generating speaker-focused content.

This concept is more than just semantics or mental gymnastics. It is a critical part of making your Communication Delta structurally sound. Remember, you are working to get someone else to do something that allows you to move the business forward. Right from the start, you have to be radically focused on the other person.

3. Finally, the *Result* statement asks you to see an action or change on the part of the VC. The ideas that drive an action or change of being are very different from those driving a state of knowing or understanding. Many entrepreneurs I work with come with

presentations that have an implicit result of “Understand my business plan”—and the meetings tend to fall flat. If what drives your meeting is educating the VC, you have given yourself permission to tell him everything you have time for—which leads to the data dump.

It may be tougher than you think to limit yourself to a single, achievable result, but it is important to define this clearly. The result you want, the action you want the other person to take, must drive everything you say and everything you do or you are leaving money on the table.

Exercise: Defining the Result

Before reading further, identify a realistic result for this meeting. Remember, you are in the very early stages of this relationship. Depending on the “vetting,” or the quality of the referral source or process by which an entrepreneur gets access to a VC, you need to set a conservative and obtainable result for the first meeting. Can you expect a term sheet? Not unless you are Bill Gates or Jim Clark. If you are meeting with an associate, maybe you want them to invite a partner to meet with you either now or in a future meeting. If you are meeting with a partner, perhaps you want a meeting with the partner who is most knowledgeable about the industry in which your company operates.

In following meetings, you can begin to push for greater intimacy and leverage. You might work to get that partner to start some initial due diligence by having an associate talk to your customers. If your product is functional, you can ask the VCs to test it themselves.

As you progress in the meetings with the VC, the result must become more and more involved and binding. *Note that for every meeting you must know exactly what you want.* This does not mean that you will get it or that it won't change in the course of the meeting, but it does mean that you plan, think, and strategize with that specific result in mind for that specific point in the development of the relationship.

Now, make an initial commitment to a result that will drive the content you will share in the meeting:

When I finish this meeting, the VC will ____ (Result) _____.

You fill in the blank: Agree to another meeting? Bring in the partner who knows your space best? Spend more time with you than they had scheduled?

Don't worry about making it perfect right now; we will come back to it.

A good result is one that is based on both the needs of your business and the needs of those with the money. Get it right, even if it takes some work, and the entire process falls into place. But don't worry too much about getting it perfect; just focusing on any clear, listener-focused result will create movement and change in a positive direction.

About the Author



Dan Sapp has over 15 years experience consulting and coaching with performance driven individuals and teams. In 1997 Sapp founded Dan Sapp & Associates (DSA) and gained a reputation for his ability to help executives brand their leadership through their impact as communicators. DSA has helped countless early stage and mature companies raise capital through both the private and public markets. Dan has lectured at UC Berkeley's Haas Business School's executive education program, at Duke's Fuqua School of Business and currently consults with the Dean and the development team at Stanford's Graduate School of Business. Sapp's clients have included senior executives, partners and leadership teams from Silicon Valley Bank, Nokia, Hellman & Friedman LLC, 3i, Ernst & Young, Pillsbury Winthrop Shaw Pitman, Mellon Capital Management, Skyy Spirits and many others.

Following completion of his graduate studies in clinical psychology, Dan started his management-consulting career with a small organizational development firm based in London.

Before launching his consulting career, with an undergraduate degree in Psychology from UNC at Chapel Hill and his experience as a prep and collegiate athlete, Sapp became a pioneering fitness and conditioning coach. His clients included not only corporate executives, but also competitive age group athletes as well as Olympic gold medalist Bryan Boitano.

He lives with his wife and two sons, their 85lb rescue dog Guinevere and Matilda the cat in Mill Valley, CA.

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