**Karachi Institute of Economics and Technology**

**College of Computing & Information Sciences**

**THE ART OF STARTUP FUNDRAISING**

**-A Book Review Report**

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**THE ART OF STARTUP FUNDRAISING**

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**Author Introduction:**

Alejandro Cremades he born in Zurich I n1985,he is a Spanish author and Entrepreneur in New York City, Cremades attended primary school and high school at Colegio Retamar. At the age of 22, he moved to the United States after obtaining his law degree at Universidad San Pablo CEU. In 2009 he obtained a master's degree in International Business and Trade Law at [Fordham Law School](https://en.wikipedia.org/wiki/Fordham_Law_School). Since August 2008, Cremades has been living in [New York City](https://en.wikipedia.org/wiki/New_York_City), United States. Cremades has guest lectured on [*entrepreneurship*](https://en.wikipedia.org/wiki/Entrepreneurship) at [New York University Stern School of Business](https://en.wikipedia.org/wiki/New_York_University_Stern_School_of_Business) in New York, at the [Wharton School of the University of Pennsylvania](https://en.wikipedia.org/wiki/Wharton_School_of_the_University_of_Pennsylvania), and [Columbia Business School](https://en.wikipedia.org/wiki/Columbia_Business_School). He has written articles on business and entrepreneurship that have been published in several international publications and has spoken at conferences. Cremades is the author of *The Art of Startup Fundraising*, published by [John Wiley & Sons](https://en.wikipedia.org/wiki/John_Wiley_%26_Sons). In addition to having a foreword by Shark Tank‘s [Barbara Corcoran](https://en.wikipedia.org/wiki/Barbara_Corcoran), in the book Cremades tries to distill everything he has learned in the past years down into an actionable guidebook for angel investors and startup founders. The book provides guidance on how startup funding works. Cremades also covers how the JOBS Act impacts the fundraising model, insights on startups from early stage to growth stage, crafting presentations and optimizing the strategy, building momentum, identifying the right investors, and avoiding the common mistakes. Geoffrey James, contributing editor for the magazine [*Inc.*](https://en.wikipedia.org/wiki/Inc._(magazine)), named it one of 2016's best books for entrepreneurs.

**Overview:**

This book comprehend the idea of how to raise money for taking start up what are do’s and don’ts should keep in mind during fundraising It focused on changing the face of fundraising start up financing. This book was published in March 31 2016.

**Book Summary:**

Here the discussion begins what this book is providing: I am pointing some keys which I found good addition in book.

* It’s not easy as reading an article on techcrunch. The truth is that it takes work.
* It takes efforts, time and an investment in thinking and taking small actions that can create big results.
* Successful fundraising takes making connections, marketing and proving yourself and the product Implication for start ups and raising money online.
* It primarily means streamlining the process and improving the cost effectiveness of growth and raising capital. All at great scale.
* The JOBS Act could allow the one of the most efficient methods of gaining extra funds via online crowd funding.
* The JOBS Act or the crowd funding Act focuses on Capital Raising Online while Detecting Fraud and Unethical Nondisclosure.
* The Game Changer, JOBS Act was born with the aim of facilitating access to capital for start ups and small businesses, while giving individuals more freedom to control and participate in investment opportunities.
* One of the biggest mistakes start ups makes is taking too long to complete a round. It is interesting to see many start ups drop out of the fundraising race within a couple months and to see those who were successful reporting taking longer than expected to raise money. A big part of being successful is sticking with it. But it is also about knowing when to hold on and when to move on.
* It is needed that your goals have clarity and your action represents clarity and doing what you say.

**Mistakes:**

* Not having a clear pitch.
* Lac of authenticity
* Lying
* Changing your story
* Overpromising
* Overselling
* Name dropping without having much of a relationship with the individuals
* Spamming.

**Updating your Investors:**

You have to communicate with your investors throughout the negotiation period. but also after securing investment This ensures that misunderstandings will be avoided. and is a best practice to cultivate an organized approach to time management.

**Three factors you should be looking for in investor:**

1. Domain Expert
2. Connected with investors
3. Financial Strength.

**Team Analysis:**

**Share book learning accordance of Pakistan.**

I personally acknowledge author concept ‘It’s not easy as reading an article’. Because it’s human nature to figure out things asap. But having businesses it takes little steps with long patience. The youth of Pakistan has lack of patience. Many want success in blink of eye. The author advice is really suggestive that it needs effort and time then enables you to draw out big picture.

During book reading the major chances start-ups get from crowd sourcing like JOB Act. I personally feel the deficiency of such crowd sourcing in Pakistan. This book is written under the umbrella of developed nation. But we as developing nation could not meet these criteria up to this date. We really need these crowdsourcing places for our youth which will helpful in assessing good start-up.

**Gain Visibility:**

How do you gain traction or visibility in this area when you are already going all out? Eight methods are recommended.

1. Prioritize and focus attention on that area
2. Get help
3. Get up earlier
4. Compete in competitions
5. Participate in development or coding marathons
6. Attend conferences
7. Go to networking sessions
8. Join invitation-only communities of like-minded people

**What do investors look for?**

1. team
2. idea
3. traction
4. large market opportunity
5. competition

**How to Raise Capital?**

**Story Telling:**

Storytelling is all about the future. It’s not so much about your present or the past. What you want to do is grab whatever you have going on and push it forward—fast forward and try to have them dream as to how that journey is going to be by sharing that journey with you.

* Building blocks for creating your storytelling in fundraising:
* What’s your why? What prompted you to do this?
* What’s the mission?
* What’s the big vision?
* Who are your ideal customers and what do they care about?
* Who are you and your team?
* What does your brand stand for?
* What type of solution are you working on? What are the benefits?
* Is this hardware, software or a marketplace?
* How big or small is this business?
* What elements do you need to include to turn on investors as well as customers.

**The Process:**

The next thing is going to be the process. When it comes to the process, you need to understand what it’s going to take from Point A, where you’re getting the introduction to that investor, to Point C, which is closing the money, sending the offering documents, which are the documents where all the terms of the investment are going to be outlined, and then also for wiring the money.

From A to C, what you’re looking at is first, there’s an introduction. Then there’s going to be a follow-up call. Then there are going to be additional meetings. In-between, there are going to be all types of Q&As and interactions where they’re going to be asking you questions if they have further interest on perhaps making an investment on your business.

**Listening:**

The third and probably the most important pillar when it comes to raising money for your startup, or business, or whatever that is, or small business, is that you need to master the art of listening. When I say listening, it’s not listening for questions; it’s not listening for looking good; it’s not listening for “What can I say to make sure they get it?” It’s listening for concerns.

What separates you on the money are the concerns in-between. What you want to do is try to get as many meetings as possible with that investor because every meeting, every interaction that you get with the investor, is just one step closer to the money.

What you want to do is use every meeting to make sure that you let them speak. That’s why it’s all about listening. It’s not about talking. You want to keep it simple on your end. You want to answer it specifically what they are asking you, but really always focus, focus, focus on the pattern of concerns that are ultimately driving those questions that you’re receiving because if you’re able to nail it on fulfilling concerns, you’re going to be able to increase your chances and your closing rate by a mile.

**The Core of your business:**

Ideas are meaningless without a masterful execution. Attracting investors is about more than a great idea. It’s about showing the correct preparatory skills that will persuade potential investors that you will handle their capital diligently. The most effective way to do this is to put the core structure of your business in place before you begin seeking substantial investment.

**Experienced and talented management:**

Every investor wants to know that the person in charge of their money is talented, and someone who can generate positive returns. The running of a business therefore can be boiled down to two words: good management. No matter the area or industry, you’ll need a comprehensive, talented, and experienced management team in place. If your start-up has a strong team, then any investor can be more confident about the direction and potential of a business.

**Organize Your Corporate Structure with a Legal Team:**

A business is an organization—this is an important point. Your startup must be effectively organized and must have the correct corporate structure in place. Without it, your business will either suffer from poor efficiency, or end up in legal strife due to not having the correct legal documents or permits in place.

**Helpful Advisors:**

No business is built purely in isolation. If it is a success or failure, it is because of actions taken and the available knowledge that informed its strategies. Every start-up founder must have a comprehensive knowledge of the industry they are entering, but it is also important to have access to skilled individuals who have the experience to advise on relevant scenarios as they appear.

**Building Momentum:**

Confidence is everything in business. An investor will not feel confident in your business if your presentation is hesitant or unsure. You must do your best to build momentum and to present as positive an impression of your startup as possible.

**Vision:**

The vision you have for your startup should be at the centre of everything you do. What do you want the company to achieve?

What niche do you want it to fill? What is the end goal for you and for your investors? With these questions answered you will have a mental map that can effectively guide the decision-making process.

**Attracting Investors Requires Patience:**

It’s important to realize when reaching the stage of attracting investors that you need to have already made the preparations required to make your startup something worth investing in. It can take time to get this right, and your pitch or presentation will change as you start to receive feedback and you cover up some of the holes.

1. **Due Diligence:**

Due diligence is a comprehensive appraisal of a business that a potential buyer or investor generally undertakes before buying a company or agreeing to make an investment. As a buyer or investor, during due diligence process, your attorney will review the target company’s assets and liabilities, structure, operations and key business relationships. This information allows you to effectively evaluate the deal’s strategic commercial potential and ensure that the merger or gaining is priced correctly. As a seller or company owner, your lawyer will help provide the appropriate documents to the buyer or investor, but also help manage the process so that you can continue to run your business and not be deluged by document requests.

Key Considerations to Put on Your Due Diligence Checklist:

**Corporate Structure & General Matters**

Corporate attorneys carefully review the corporate structure, capitalization, organizational documents and general corporate records of the company in order to ensure that everything is in order. Some of the documents typically reviewed include:

* [Incorporation documents](https://www.priorilegal.com/business-formation);
* [Corporate bylaws](https://www.priorilegal.com/corporate-governance/bylaws);
* Organizational chart;
* Lists of all [securities](https://www.priorilegal.com/securities) holders;
* Stock option agreements and plans;
* [Stockholder and voting agreements](https://www.priorilegal.com/corporate-governance/shareholder-agreements);
* Warranties;
* Stock appreciation rights plans and related grants;
* Recapitalization or restructuring documents;
* Minutes from all board, shareholder, and/or executive committee meetings since charter; and
* Agreements related to any sales or purchases of businesses.

**Taxes:**

[Tax](https://www.priorilegal.com/taxation) due diligence explores any historical income tax liabilities and provides an analysis of any tax carry forwards and their potential benefits. Corporate lawyers verify that taxes are current in all jurisdictions and that there are no unexpected tax problems. Documents generally reviewed include:

* Federal, state, local, and foreign income, sales, and other tax returns filed in the last five years;
* Correspondence or notice from any foreign, federal, state, or local taxing authority;
* Government audits;
* Tax sharing and transfer pricing agreements;
* Net operating losses or credit carry forwards;
* Settlement documents with the FBR or other tax authorities

1. **Bootstrapping**

Bootstrapping is building an organization starting from the earliest stage with only close to home investment funds, and with karma, the money rolling in from the primary deals. The term is additionally utilized as a thing: A bootstrap is a business a business person with practically zero outside money or other help dispatches.

**The Pros of Bootstrapping Your Startups**

* Ownership of Your Business
* Control Over Direction
* Keeping Your Business
* Sense of Accomplishment
* Being Forced to Build a Business Model That Really Works

**The Cons of Bootstrapping for Startups**

* Chances of Survival
* Growth
* Top Level Help
* Staying Organized
* Hard work Continue

**CLOSING THE SALE**

The entirety OF YOUR HARD WORK, arrangement, and research has driven you to this one crucial purpose of your enterprising profession-settling the negotiation. Regardless of how well you have pitched your business to speculators, it is consistently feasible for an arrangement to fail to work out, even ultimately. This reality isn't referenced here to caution you, yet to rather keep you watchful and to guarantee that you keep on making proper choices, with respect to how you present your organization to speculators, until the latest moment possible. Here we have some key reasons for that we make urgency Cold-feet, Options and Expenses. The more negotiations are drawn out, the greater the chance of investors getting cold feet; this is especially true when an agreement has been made in principle but has not yet been signed. for example, making sure about licenses, legitimate concurrences with individual organizers, or other authoritative issues, this can set alert chimes ringing in the psyches of imminent speculators. At this stage a speedy end is attractive. The more a financial specialist needs to consider an arrangement they have primer consented to, the more prominent the possibility of the speculator having cold feet and forgetting about the offer. Another threat of hauling out the finish of exchanges is that it gives financial specialists time to gauge their alternatives. While they wait for you to take care of what you need to do before a deal can be signed, an investor has the opportunity to look around at the competition or even other investment opportunities. It is entirely possible that they could see a similar start-up company that appears to be a more lucrative proposal and invest their money there, instead of in your business. If you are at the planning stages of your company, then this might not matter, but if you already have staff, development, production, and other costs to cover, the longer your startup goes without new revenue, the more likely it is to suffer financially, perhaps fatally so. Creating a Completion Schedule This is merely a proposition that clearly defines a closing date-when the deal is expected to be concluded. This creates a sense of purpose and can keep communication clear, showing all concerned parties when they can expect an agreement to become legally binding.

1. Time Specific Break Down
2. Signature Closing Date
3. Financial Closing Date

It important for an entrepreneur to manage Expectation

**State Expectation:**

What do you think is achievable within the confines of the investment round you are currently negotiating within? Most important, what do you think are reasonable goals and time frames that should be given in return for an agreed-upon amount of investment capital? All of these expectations need to be

clearly stated so that investors know exactly what they can then expect in return for their investment.

Listening to an investor is another important thing that an entrepreneur must be handling

**Listening To Investor:**

Now that you have given your expectations, it's time to listen to your prospective investors in a courteous manner. Even if your investor is not experienced, they may still have specific ideas about what they should expect within a set timeframe.

To avoid future disagreements, they need to clearly outline what they believe are acceptable requests in return for their investment-that is, product launch, market research, prototype development, advertising, and so forth.

**Compromise:**

Now that both sides have outlined their expectations, it's time to come to a consensus. Without such a consensus it may be possible that the entire deal could fall through. You may have to compromise on your expectations, but never agree to unreasonable or unrealistic demands. It is better to find an investor with achievable expectations than to accept the capital of an investor who may take action against you should they believe their capital is not being well managed. It's all about compromise, and only then can you manage expectations. In order to do this, you'll have to update your investors regularly on business developments.

**Updating Investor:**

When updating investors, you should include:

1. Any issues that have presented themselves
2. New organizational changes that are being made
3. Answering any queries that investors have raised recently
4. Press coverage
5. New business development deals and partnerships
6. Milestones achieved
7. Milestones for the next quarter
8. Growth in terms of users and revenues
9. Potential new hurdles and challenges down the line
10. Details of any financial changes including running costs
11. Requests and asks that you would like to make from the investor

**Avoiding Common Fundraising Mistakes:**

What are some of the common mistakes made in the fundraising process that should be avoided?

Failing to Connect

Lacking connections puts startups and their founders at a serious disadvantage. Do not underestimate the value of connections

Startups should have an Ideal Investor profile for each fundraising round. Factors to consider may include:

* Location
* Average size of investments
* Industry match
* Round of funding the investor specializes in
* Investment goals and timeline

**Recommended Tools for Fundraising**

We'll tackle organizational tools and websites first, as these will help you develop a structured work ethic and infrastructure. With this in place, all of your decision making will be faster, more streamlined, and more effective. Useful resources to help with organization include:

- Google App

- Cloud Storage

- Open Office

- Remote Desktop

- Task Management

**Research:**

In planning your pitch, it is desirable to have market research and financial figures to showcase the potential customer base for your brand, as we covered in earlier chapters. There are various services available that will help you put these important projections in place. Some of these include:

- Manta

- Google Analytics

- Power Bi

- Bplans

**Social Media:**

We've mentioned this in previous chapters, but social media is a great way to generate buzz about your startup and to identify prospective investors. It provides the perfect opportunity to engage effectively with people, building your brand and presenting your business in an appealing way for customers and investors alike. Useful social media platforms for fundraising include:

- Facebook

- LinkedIn

- Twitter

**Outsourcing :**

One of the greatest lessons a startup entrepreneur can learn is when to delegate responsibilities. When it's your business, it can be hard to let go of every detail, but it is best to employ people to carry out tasks they are specialized in, rather than spreading yourself too thin. By bringing talented individuals into your startup on a task-by task basis, you will increase productivity and free up time to focus on the big picture and direction of your business. You could hire a seasoned finance writer to help create a business plan or a graphic designer to create a logo for your startup, not to mention the thousands of skilled workers who could take care of any number of important administrative duties; and as they are working as freelancers, you engage their services only when you need to. There are some great outsourcing services available such as:

- Up work

- Fiver

- Gurru

**Sales and Administration:**

Finally, there are some great resources to help with selling your business to investors and customers, as well as carrying out the essential legally binding administrative tasks that every startup founder should take seriously. Such services include:

- Hello Sign

- TooutApp

**Conclusion:**

The author has discussed relatable content .If someone want to do start-up This book really helpful in this regards because it covers almost all possible trajectories coming in a way. Pakistan is still having lack of resources for creating this opportunity. This is the reason our youth by having outstanding ideas do not get affective result. We should opt principles provide in the book for making youth effective.