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Insider Secrets Help Find the Right Partner



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As a business leader, you know that the right financing partner can be a critical factor in keeping your company strong and growing. But the process of identifying the right partner can be daunting. The following "insider secrets" can save you frustration and help you get the financing you need.

1. *Financiers use other people's money.* With the possible exception of a true angel investor, no one you will encounter in your search for financing actually uses her own money. This is an important and basic truth that you should never forget. All banks, finance companies, investment funds and, yes, venture capitalists are merely putting other people's money to work.

2. *You have to fit 'in the box.'* Financiers raise money by committing to use it according to an established set of "investment" criteria. To be successful in getting some of their money, you must understand their criteria. This is often called "fitting inside the box." While the person sitting across from you may understand you and believe in you, he or she can only help you if you fit the lending or investment profile.

3. *Financing is a low-margin business.* Think about the financing business model: They hand you millions of dollars and charge a few percent over their cost of money. Out of that few cents on the dollar, they have to cover all their costs as well as the loss of all or most of the money they give to failed businesses. This is not to make you feel sorry for financiers (you shouldn't) but to give you a feel for the risk side of the risk/reward pricing dynamic at work in this market.

4. *Your pricing will reflect market experience with companies similar to yours.* Over time, the financing marketplace has developed norms for the pricing needed to cover certain types of risk. These norms, not your company's unique story, will be the primary driver in setting your pricing.

5. *Three basic questions drive decisions about your company.* These questions are applicable for everything from a short-term revolver to a long-term equity investment.

- What are you going to use the money for?
- How are you going to pay it back?
- If your planned payback fails, what fallback does the financing source have?

Make sure you know the answers for your business.

6. *You will get a lot farther if you spoon feed information to your contact.* The better your contact can explain the purpose, repayment and fallback of your situation, the higher your chances of getting the financing you seek. You should ask your contact what specific information she needs. In today's world, it is so easy to prepare a clean, neat presentation to make it easy for your contact to present your company in a good light.

In business, as in life, wisdom and success can be gained by understanding the perspective of others. In the financing business, you will greatly increase your chance of success if you understand the perspective and needs of potential financing partners. Remember that your contact is constrained by a set of policies or guidelines. Help her to understand how well you fit those guidelines and you'll be on your way to getting the money you need.

Mary Adams founded Adams Strategy LLC, Winchester, in 1999 following a career in high risk lending. Her firm helps companies develop innovative strategies to face such challenges as growth, change and succession.