PDF Supplement: UU – Integral Entrepreneurship – Integral Leadership

IE – Business Economics Fundamentals – Lesson 1 – Capital needs assessment – Video

Summary:

1. Capital to launch.
2. Objective: basics of financial projections – method to talk economics of the business.
3. Methods of raising capital; long-term vision of the business size => defines the scope of capital raising methods.
4. Plan for short-term strategy to raise capital – from a basic milestone to the amount of money to get to this milestone.
5. How much money to get started? The amount has a reasonable amount of risk – 75% chance of succeeding. The riskier a proposal is, the more expensive it is.
6. Some investors will fund in a series of 'tranches' – promise an amount, distribute in phases, based on reaching milestones.
7. Goal with sensible amount of risk – build upon success foundation.
8. Tradeoff in incremental strategy – it's as time-consuming to raise a small amount as it is a larger amount. Developing plans are time consuming. So there's a balancing act. Raising smaller amounts that are less expensive. Unless you end up broke and desperate and lose leverage.
9. Financial reports. Based on imaginary milestone. Break-even cash flow at an early stage. This can be an ambitious goal – but as an example it shows several elements.
10. How much do I need to accomplish what?
11. Use numbers to build a strategy – kind of back into it. Numbers inform strategy, strategy informs numbers.

Short-term capital – less risky proposal to get to more concrete milestone, but has its own risk: time to create proposal, need for more assumes you are less risky, but that isn't always true (especially if you spend down).