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Pitch Results, Not Activities

Another day, another entrepreneur looking for money to fund activities. Important activities – sales, marketing, product development, etc. – but still, activities.

As an investor, I want to fund results.

Too many entrepreneurs think too much about what they need to do and the resources they need to do it, and not enough about what they need to accomplish and the resources they need to accomplish it. For example, the countless pitches I've seen where the use of funds is broken down in terms of activities rather than results. Possibly because it's easier to project activities than results.

If you need to develop an internal sales team, tell me what – beyond headcount and burn – you will get for doing that. Presumably, of course, sales. But how many customers, and what total revenue? Through what channel? If you need to add to the development team, great. But what, within the context of the current round, will that investment buy you? More features? New releases? Scalability?

Smart entrepreneurs, when they think about the next financing round, start by thinking about milestones. The accomplishments that will deliver the most value for the least investment. (That is usually about what accomplishments will reduce the most risk, but that is a different topic: see my previous article Opportunity and Risk Reduction: The Startup Two-Step). *They work back from those results to the activities that will deliver them.*

Related Practices

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Activities	Results
Build Direct Sales Team	Achieve Direct Sales of ARR of \$X
Invest in Product Development	Release V 2.0 (Bugs/New Features)
Build Finance/BD Team	Engage with Strategic Partners

Note that each of the bullet points in the “Activities” column is legitimate. You will need to build a direct sales team if you want to achieve a direct sales ARR of \$X. But they focus on the wrong thing: the cash burn. Rather, the focus ought to be on the payoff.

You can always – and probably will – talk to the points in the “Activities” column as you review the points in the “Results” column. But that is in fact the point. Start with results to frame the discussion, and make sure the slide (the “leave behind”) focuses on the results.

The take home message: when you pitch for risk capital, of course you should explain what you are going to use the capital for. But the explanation should focus first and foremost on results, not activities. The smart entrepreneurs – the ones who raise the most money on the best terms – are the ones that remember that.

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