



Stanford eCorner

Creating Real Value: Substance over Form When Raising Money

Michael Cline, *Accretive, LLC*

May 01, 2007

Video URL: <http://ecorner.stanford.edu/videos/1842/Creating-Real-Value-Substance-over-Form-When-Raising-Money>

Michael Cline, Founding Partner at Accretive Technology Partners, reminds entrepreneurs that when raising money they should not let the form of the presentation?the showmanship?overwhelm their substance, which is in essence how they create real value for a customer.



Transcript

The biggest mistake in my mind is that the form of all of this activity of trying to raise capital overwhelms the substance of the critical issue and that the entrepreneurs have not done a really critical thing, which is essentially at its very core what you have to be able to do is to demonstrate unambiguously how you create value for a customer. You really need to know just not a series of benefits and things you can talk about but really how you actually can create value for customers relative to the other alternatives and make money doing that, and then ensure that the dialogue you're having is with an investor who understands that kind of value creation. So what I see a lot of times in mistakes is somebody comes and pitches and it is a good dog and pony show. They're at a party and they got their rap but the person they're talking to, this is not the kind of thing they know or are comfortable with or intuitively resonates with them because they literally don't understand it. So unless the numbers are off the charts, it's an awkward move for them. When they are in front of someone, they've spent so much time going through that that what they're better off doing is pushing it all away and go, "Let me explain exactly how I create a lot of value versus all of the customers other alternatives." That is what ends up very compelling and it gets lost in all of the process. I think that's the biggest mistake.