



## Stanford eCorner

### Energetic Fundraising

Peter Diamandis, *X PRIZE Foundation*

April 23, 2008

Video URL: <http://ecorner.stanford.edu/videos/2005/Energetic-Fundraising>

Fundraising is simply an energy transfer to further your projects, says entrepreneur and X PRIZE founder Peter Diamandis. It's also the most critical skill an entrepreneur can have. When trying to raise funds, it's critical to remember that you have to ask for what you want, and that you have to give others the opportunity to be involved. And, says Diamandis, never walk away from a potential funder without something; whether it's dollars, feedback to help you pitch more efficiently, or the phone number of another contact.



#### Transcript

The question was about fundraising and the lessons learned from fundraising because it was such an integral part of X PRIZE and everything you did. So, it is probably one of the most critical skills that you can learn. I think of fundraising as energy transfer. It's going to someone and convincing them to give you some energy that you can go use to go and accomplish something. And I had a formative moment in my life, my sophomore year at MIT. I had started my first organization ever, it's called SEDS - Students for Exploration and Development of Space. It's become a global student space organization. I started the first chapter at MIT and I needed \$5,000 to print a newsletter and mail it out. And I went to Draper labs and I met with the head of Draper and I knew they were profitable, they were a non-profit, they had money and I was pitching my heart out, "Would you please, I need this \$5,000." And, "Sorry, we're non-profit. We cannot give money.

But what you're doing is great. But..." So, I was walking out the door and I stopped and I said, "Well, could you instead print my newsletters?" She said, "Sure. We got a whole printing facility here." I said, "Would you mail them?" She said, "Absolutely." We probably got about \$25,000 worth of printing and mailing from Draper over the years, that year and the following years. And it hit me that there is - whenever you go and you asks something - first of all, you have to ask. I mean the first rule of sales is you have to ask. You have to be - believe in yourself in what you're doing passionately enough that you're willing to give this person the opportunity to help you or to be involved. And then you have to ask. And then, you have to commit yourself. I'm not going to walk away from having invested that time without something. It may simply be, why aren't you investing, what advice do you have for me to go on my next call? Who can you introduce me to that does want to do this? And I think other thing I learned - a Sage Fellow Al Curth taught me as my early days X PRIZE.

He said, "When you ask for money, you'll get advice. And when you ask for advice, you might get money." And that stuck with me a long time. So, I used to be extraordinarily impatient, you know, "Hello, what's your name? Can you give me some money please?" And I learned that that's not necessarily the best way. When people invest in you, or in your project, they're investing in you, it's a transfer of confidence. So, you really need to build a relationship with that person, in a way that they're - you touch their heart. They understand why you care about this. How it relates to them, and then they will naturally want to get involved. But I can't emphasize enough how important that is in a skill. If you want to go and do something, it's about convincing other people to join you, bring their technology, bring their money, have George invest in your company. Yeah, it's amazingly true.

Because we see with entrepreneurs, some of the best entrepreneurs, they, in the fundraising process, the fundraising is

secondary to wanting to get groups of people involved. They don't show up and say, "The calculation of how much money you're going to make is 4.7 x over three years." They just don't do that. And a lot of people ask me and other venture people, "How do you decide to fund something? What is the critical amount? What are the critical internal rate of return?" There is none. And some people say, "How can there be none?" I said, "Well, we like to think can we return 10 times the invested capital." But the reason why I say 10 times is, really because the way we qualified in our heads is, "Can this generate a sufficient breakout?" That we are proud of our association and it can also make money, but the 10 x is really just a qualifier. It's not really mathematical in the sense. And that always puzzles people but it's actually the truth. You've said it the best of anyone I've ever heard.