8 myths about investors every startup founder should know

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Fundraising is not easy. In fact, it can be incredibly difficult, and is often a major deterrent that prevents many startups from getting the ball rolling.

However, a lot of that hesitation is due to people's tendency to buy into the myths surrounding investing and investors. Here are some of those top myths, debunked:

**Myth 1: Bigger is always better**

*Reality: There is no doubt that having a big name financially backing your company has its benefits. However, there are also advantages to establishing relationships with smaller firms and individual investors. For example, if your company is one of many in which a big firm has invested, you may not get the attention you need or desire. In many cases, investors with smaller portfolios have more time and inclination to pay attention to each of their investments. Instead of worrying about the name behind the money, it makes more sense to focus on the actual value that will be provided.*

**Myth 2: Most investors are leery of startups**

*Reality: Some potential startup leaders throw in the towel before they even enter the ring because they have been convinced that they will never get the funding they need. Sure, there are investors who are hesitant to plunk down a bunch of cash for a fledgling startup. But, with hard work, discipline and a pragmatic approach to building the business, there is no reason savvy leaders can't find the right investors willing to back them.*

**Myth 3: Only VCs will fund a startup**

*Reality: This is an extension of the previous misconception because countless folks are convinced that, in addition to being limited funding options, it is only the venture capitalists who will take on a “risky” investment like a startup. This is simply not true and a quick Google search of the investors backing some of the bigger name startups will prove it. Plenty of hedge funds, private equity firms, investment banks, accelerators and other entities exist that also dabble in startup funding.*

**Myth 4: Past performance is the best indication of future returns**

*Reality: One of the first things startups seeking funding want to know is how well a potential investor’s portfolio has done. You may be trying to size up whether the particular firm has a keen eye for picking winners, as well as its commitment to helping its investments succeed. Although performance can certainly provide a trove of information, it really isn’t a significant determinant in your success.*

**Myth 5: Money is money**

*Reality: It sounds crazy to turn down any money that is offered, but in some cases, it may be the best decision. Startups cannot view all money equally; as the people behind the dollars are of tremendous importance. It is imperative to have an investor that “gets you,” and there must be some level of congruence regarding strategy and decision making or else the relationship is doomed.*

**Myth 6: Inside connections are a must**

*Reality: Obviously, it is incredibly helpful if your best friend’s mom is the head of a VC firm. Social and professional networks undoubtedly play an enormous role in the business community. Nonetheless, anyone lacking such inside connections should not despair. There are plenty of partnerships that sprout up simply because of a close relationship between two of the leaders that end up fortuitously. There is a reason that people often caution against working with family or close friends. If your business is solid, your intentions are clear and you make the effort, the money will come.*

**Myth 7: Too much competition is a barrier**

*Reality: Competition should not be viewed as a barrier, but as a motivating factor. If your company is seeking to provide a service that is similar to an existing business, then make your version better so that investors want to bet on you instead. We often compete with others to attain things—a spot on the team, a seat in a college program, a job—that can and should push us to do better. Competing for dollars should not be seen any differently.*

**Myth 8: Beggars cannot be choosers**

*Reality: Startup leaders sometimes get desperate and often end up reshaping their businesses to entice prospective investors. If the initial business has to morph into something that is virtually unrecognizable for the sake of financing, then perhaps it wasn’t meant to be. Compromise will be unavoidable along the way, but a complete rebuild shouldn’t be necessary. The most successful startups have a clear vision from the beginning and manage to navigate obstacles along the way without having to veer too far astray.*

Will Reynolds is CEO of SecureDocs, a Santa Barbara, California-based company that provides software solutions to protect digital documents.

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**ABJ FACE 2 FACE INTERVIEW**

Since joining the U.S. Fund in 2006, Caryl Stern has made it her mission to put children first, traveling to more than 30 countries in support of UNICEF’s work to save and protect the world’s most vulnerable children. During her tenure, the U.S. Fund for UNICEF has nearly doubled its fundraising revenue and Caryl has published her latest book, “I Believe in ZERO: Learning From the World’s Children,” to critical acclaim. For tickets: http://bizj.us/1iq9sc

**Caryl Stern**

President and CEO

U.S. Fund for UNICEF

March 29, 2016
8:30 - 10:00 am

Location: GSDAM Lobby

828 West 6th Street

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