



Do you need a dragon or an angel?

Lately I've been seeing and hearing a lot about dragons and angels. No... I haven't lost touch with reality – I have been working in the world of venture capital. Let me explain....

Dragons - Of European/Germanic origin, dragons are serpentine creatures with two pairs of lizard-type legs and bat-type wings growing from its back breathing fire out of mouths filled with hazardous razor sharp teeth. Also well-known is the Asian Dragon with its' long scaled body and 4 legs, both were believed to have been endowed with auspicious powers over the elements. They are meant to be fiercely vigilant and formidable opponents.

Angels - Angels on the other hand were first described in the bible and were typically seen as messengers from God. Daniel (the bloke who ended up in the lion's den) when confronted by an angel said this: "I looked up and there before me was a man dressed in linen, with a belt of fine gold from Uphaz around his waist. His body was like topaz, his face like lightning, his eyes like flaming torches, his

arms and legs like the gleam of burnished bronze, and his voice like the sound of a multitude." (Daniel 10:5-6)

It's no wonder they typically are recorded as turning up and saying "fear not". I would freely admit to being very nervous if I had a meeting with one of these formidable creatures face to face.

As banks have tightened up on

The keys to a successful meeting with a potential investor is to be extremely well prepared

how they lend, many businesses and entrepreneurs have had to look to alternate sources of capital to turn a vision into a commercial reality. So a class of financiers known as angel investors or entrepreneurial dragons have become seen as a legitimate route to raising desperately

needed funds. This is no doubt attributed in part to TV shows which have in-part legitimised these as a source of 'easy funding'.

"Angel Investors" are those who (theoretically) "drop in" spreading cash (and love) on a start-up business. A nice picture, until you remember that unlike the angels who gave a message and departed, these angels typically hang around, expecting significant wealth in exchange. Hence I feel that a dragon is a more accurate description of this style of investor.

Ever vigilant, the dragon is looking for opportunities to wield their considerable (financial) power to generate a substantial reward for the risks they take in investing in business hopefuls seeking cash to realise a dream. The vast majority walk out humiliated, with their tail between their legs, or they have some cash, at the expense of having to give up what is quite often a significant portion of their business – often disproportionate to the business potential.

I understand why the dragons are so hard on business hopefuls. From the “dragons” perspective, they are loading their capital injection with a multiple that reflects the risk of doing business with what are often ill-prepared business novices. You can see a great example of one [here](#).

So why is it that people fear dragons and angels in the business world?

Perception – often ‘A’ type personalities, they have a reputation as being hard (often to the point of being ruthless). Remember to think of a meeting with an investor from their perspective. Every day, they are being approached with yet another pitch whereby they are encouraged to part with their money. Only occasionally is it something which has real merit. Their language is well thought out reason as to why an idea will work; back by realistic financial projections (some might be bold enough to call this a business plan).

Preparation – all too often, a meeting with an investor is not well prepared. Remember an investor is not only at your business idea, but also at you. If you notice the language in

the video clip above, it was always “I cannot invest in you”. The product might be daft, but ultimately it is about the confidence and preparedness which engages them and gets them asking more. So, that means you have to understand the market, you have to have financial projections and you have to know how you will operationalize your idea.

*“Angel” investors
theoretically drop in
and spread cash –
just remember they
want it back + lots of
interest*

Giving up too much – without adequate preparation, often you will not have an idea of what you are willing to give up in order to get the capital you need. Entrepreneurs are caught having to give up far more than they want simply to get access to capital. Remember, preparation and some good financial modelling can help you to craft a fair and reasonable offer. The days of “I have an idea – you bring all the

cash” if they ever truly existed are finished. Investors want you to share the financial pain of failure (if it occurs). It is the only lever they truly hold over you. Offers have to be realistic to ensure you are taken seriously, rather than taken for a ride.

Good preparation will disarm many of the weapons an investor uses to weed out weak pitches. That leaves you able to compete on the merits of your business idea alone. It won’t guarantee success, but it will level the playing field.

Not every investor needs to shower you with cash. Every day, you come into contact with people who could do more for you than any “business angel” ever could. Repeated surveys show us that respecting customers and taking the time to help them drives personal recommendations and (therefore) new customer growth - the ultimate goal of any business.

So, I encourage you today - Do not forget to entertain strangers, for by so doing some people have entertained angels without knowing it.