Does The Process Matter In A Capital Raise?

A Green Circle Whitepaper by Stu Strumwasser, Managing Director, © 2025

Raising capital is one of the most important job functions for Founders and CEOs of early-stage and growth-stage companies. Many seem to think that "knowing investors" is the key to a capital raise. In fact, it is not. It's important, but a good Google Search or a chat with your new friend at OpenAI can generate a solid list of appropriate, industry-focused VC and PE investors. That list can be helpful in generating "interest," but if your goal is to secure capital, and not just "interest," the real key is in the "process." A seasoned CEO or an experienced investment banker runs a process in a specific manner that generates enthusiasm and competition for the asset (shares or units in the Company). Elements such as setting a timeline and communicating it to investors, creating structure around meetings and the flow of information, strategically managing the population of a data room, creating and maintaining the appearance of excitement and competition for the deal in all communications and interactions, and more, are all critical links in the chain. The execution of the process itself is where the companies who successfully raise capital separate themselves from those who may generate interest but then fail to ultimately close a transaction.

I have been selling investments since 1990 and I have learned that the rules of sales apply to investments as much as they do to cars or houses or anything else. One builds a funnel starting with a long list of prospects and catches their attention with compelling and exciting information that is brief—typically in the form of a teaser. That interest then gets cultivated among a smaller group of engaged prospects by sending them more information (such as a Confidential Information Memorandum or Executive Summary and financial model, etc.) and having initial conversations to pitch the opportunity and answer questions. That often leads to an even smaller list of highly engaged, prospective investors conducting more detailed evaluations and diligence through conversations, in-person meetings and information requests. That's how one generates "interest," but interest doesn't pay salaries, rent or suppliers. The more difficult part of this process is converting interest to action—wiring funds. Closing. That's the most critical part. It takes skill and experience, and it is achieved through an iterative and finely tuned process.

I. So, what are the components of a successful capital raise?

It starts, of course, with a great Company. Great products or services, meaningful scale, strong growth, a healthy margin profile and an impressive management team are the most important things that will lead to a successful capital raise.

Great materials are important. The key items needed for an early-stage or growth-stage capital raise are a Confidential Information Memorandum, a teaser, and a financial model. The more detailed and sophisticated the financial model the better, and unless you have an experienced finance lead, hire someone to help. The teaser is a brief version of the Confidential Information Memorandum ("CIM"). As for the CIM, that is a whitepaper topic unto itself, but for another day. For now, I will just say that less is more. The earlier stage the Company, the shorter the CIM should be. We recommend 15-20 slides rather than 40 or 70. Bear in mind that no one in the history of venture capital ever read a CIM and sent a wire. The CIM is just a tool to move prospects along in your funnel and get them to a call or meeting, where the real selling takes place. If you have told them every last great thing about your business in the CIM, you'll have nothing left to add at the meeting. Having professional help can ensure the high quality and effectiveness of the materials – and ensure that the right information is disseminated at appropriate times.

A long-yet-targeted list of investors is important. As explained earlier, merely having a list of investors does not mean the work is done, but it is an important component. In addition, engaging an advisor who has relationships with those firms and knows their behaviors, strengths and weaknesses, etc., can be invaluable.

A process that creates an environment of enthusiasm and competition for the asset (shares or units of the issuing Company) is the key differentiator that enables one to hold investors to a timeline and convert interest into wires. The ability to build such an environment is a learned skill that comes from experience. Having a strong process is often the difference maker between failure and success in a capital raise, and if your business checks the boxes mentioned above in the definition of a "great Company" you deserve to have a complete toolkit when you present your life's work to investors.

II. You don't do your own taxes, so why would you try to run your own capital raise?

In a seller's market, when there is greater access to capital from institutional investors eager to put money to work, and valuations are high, Founders/CEOs who represent themselves, and do so imperfectly, often still succeed in raising equity financing. For Natural Consumer Products (the space upon which Green Circle focuses) it was a seller's market from around 2015 to 2021. For a long time prior to then, it was not, and it's not any longer either. Green Circle has written about our belief that those years were not the top of a typical market cycle that is destined to return, but rather, somewhat of an anomaly when an influx of liquidity from a combination of new specialist funds and generalists

investing in the space drove deal activity and valuations to all-time highs. In a more normal market environment, VCs are more interested in AI robots and flying cars than gluten-free donuts and probiotic beverages. Good Consumer brands absolutely can raise equity growth capital, but process is now more critical. Founders/CEOs need an expert advisor. Yes, you could probably file your own taxes, but instead you pay a CPA because based on their experience, they simply do it better. You're also busy and have other things to do. You hire a lawyer to read your contracts, a plumber to fix your sink….. If your capital raise is large enough (typically over $10M, or at least $5M) and your business is attractive enough to interest professional advisors, hire a pro.

Most of the fees charged for conducting a capital raise are charged as a "success fee," only if the advisor achieves your goals by bringing you a deal that you accept, and that closes. Good advisors often secure a better price and terms for their clients and also save them a great deal of time—and thus, often pay for themselves many times over. Having an experienced intermediary negotiating on your behalf can often be more effective, and it also enables the client to stay at a distance from any difficult conversations during the process, and head into their new partnership without any potential baggage from negotiations or diligence. Whoever you ultimately decide on to lead your capital raise, just remember that having a great deck can generate interest, but a great list plus a great deck PLUS a great process… can get you the money.

III. Humankind's Greatest Motivators: Fear & Greed

A long time ago the advertising industry figured out that the factors motivating people to take an action (including making a purchase) generally drill down to two categories—fear and greed—and they are powerful. There is a long list of reasons why someone might take an interest in your capital raise, but their reasons for making an actual investment usually include a component of either fear or greed. Investors are afraid to miss out on an opportunity, and they are motivated to make more money, earn praise or a promotion, or add to their track record or legacy.

Investors measure all investment opportunities as a function of risk versus reward. Until the capital leaves their account, they have no real risk—unless they believe that they may miss out on an attractive opportunity there is no incentive to take action. If there is no urgency to wire, to CLOSE, the inertia pushes them toward waiting. Until they believe that delay might cost them an opportunity, patience or waiting or further diligence, reduces their risk—and also stretches out the timeline on a capital raise, sometimes indefinitely. Therefore, experienced fundraisers create scarcity by limiting the amount of available investment in a company and use FOMO to drive investors to make decisions and close transactions. A good banker creates an environment/perception of competition between investors or buyers so as to generate negotiating leverage for their clients. Experienced investment professionals do this deftly, in a subtle way, throughout the entire marketing of the investment

opportunity. Conversely, Founders/CEOs who have not raised capital multiple times often don't do this well. They can create great marketing materials, tell their Company's story, and they can follow up aggressively and diligently, but their process often lacks urgency and that makes it hard for them to hold investors to a defined timeline and close. If investors sense that there isn't a good deal of interest from other parties, the issuer loses leverage with which to get an attractive or fair price and terms.

Conclusion:

The components that are necessary in a process to raise growth capital by selling equity in an early-stage or growth-stage company are like links in a chain. No one link, on its own, can provide the utility that a tool like a complete chain can provide. Yet, a single broken link can negate any value or benefit of the entire chain, despite the strength of all of the other links. One can create the greatest target list of investors and/or have the most amazing CIM and still fail to raise a dime—unless those tools are deployed correctly, as part of an overall process in which every other necessary component is also present. Setting a timeline and communicating it to investors, creating structure around meetings and the flow of information, managing the population of a data room, requesting Term Sheets or Indications Of Interest by a certain date with certain required information, creating and maintaining the appearance of excitement and competition for the deal, negotiating the price, terms and round composition…. All of these things and more are links in that chain. Merely writing a symphony and handing out sheet music will not make for a great performance. Each section must do their part—strings, woodwinds, percussion, and so on—and the orchestra needs a conductor to provide direction and keep the piece on course. When put together and managed correctly, the components can make for an unforgettable experience. So can closing an equity financing for a growing business.

To discuss your Company's options for raising capital, or to receive a copy of Green Circle's "Do's And Don'ts Of Raising Angel Capital," or "12 Tips For Raising VC Financing," please contact:

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