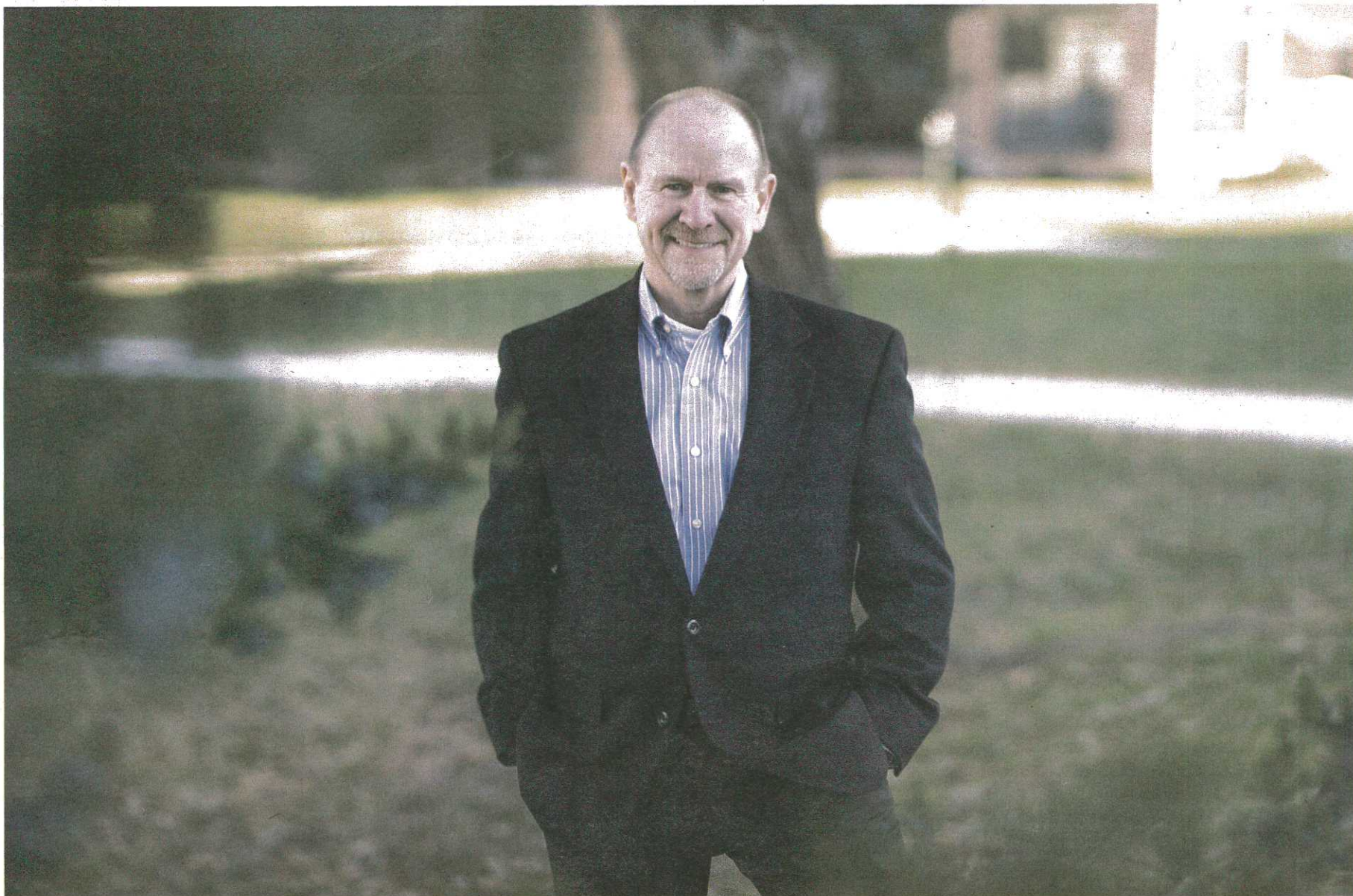


ENTREPRENEUR

Solutions to build and improve your business

From the investor's perspective

KNOWING FUNDERS' EXPECTATIONS HEIGHTENS THE ODDS BOTH SIDES SEE SUCCESS



ANDREW GRUMKE

After 26 years investing millions in dozens of businesses, Marshall Parker knows – and shares – a thing or two about investor expectations.

A lot has been written about entrepreneurs' need for capital to buy equipment, hire people and grow their businesses. But before they can land an investment to do that, they must fully understand what an investor expects in return.

Marshall Parker knows a thing or two about investor expectations. He has spent the past 26 years as CEO of Konza Valley Capital Inc., investing millions of dollars in dozens of businesses. He knows the type of partnership it takes for an investment to succeed, and he looks for an owner/operator who understands what he wants as an investor.

"No. 1 is that we want you to treat our money like it's your own," Parker said. "Every time you deploy that capital, ask if that is what you would do if it was your own money. It's hard to fault someone if you would have done the same thing, but it didn't turn out as expected."

Investors also don't want the owner/operator to be an irreplaceable cog in the business, Parker said. That might be fine when the owner is the only one tak-

ing risk, but bringing other investors in requires more security than that.

"The person who has been the steady influence, when they aren't as involved in the company, does it still operate at the same level?" he said. "You've got to embed all those things the entrepreneur was doing themselves into the entire organization. Maybe the key customers are totally reliant on them to be involved in ensuring their products are delivered on time and with quality. Or maybe the employees are relying on the leader to set the tone and pace for the organization. To the extent you can embed all that within the organization, it will make the entire business stronger."

Introducing metrics for key aspects of the business can help diversify that responsibility. How many customers get visits each month? How many on-time deliveries did the company have? What about quality? Metrics can help employees know what's important even when the founding entrepreneur isn't there driving those things forward by second nature. Businesses also can introduce a

bonus program, letting employees share in gains when the venture becomes more profitable.

Often, an entrepreneur also is the driving force for innovation, and it's important to recognize the need to involve others in that process. Customers expect the business to continually evolve its offerings, and an investor will want to see that continue, even if the original owner leaves.

"One of the things we're expecting from the companies we invest in is that they're continually trying to come up with more and better solutions for their customers," Parker said. "Just chasing dollars is not sustainable. There has to be something more meaningful to it than just numbers. I'd rather hear about how you satisfied a customer and met their needs by putting forth additional effort. The money is nice, but there has to be something good happening that's more than just making money. That's how you build a company to be successful for the long haul."

– James Dornbrook