



TEL EPISODE #058:

Show Me the Money with Alan Barrell

Show Notes: <http://www.theelpodcast.com/tel-058-show-money-alan-barrell/>

Welcome to The Entrepreneurs Library, the only book-centric podcast that reviews all the top-selling business books and shares author's perspective, firsthand. This is your resource to finding the next great book that will enable you to grow personally and professionally. Welcome your host, Wade Danielson.

WADE: Welcome back, and thank you for joining us on the EL. Today we have Alan Barrell, author of *Show Me The Money*. Welcome Alan, and thank you for joining us on the Entrepreneur's Library.

ALAN: My pleasure.

WADE: Will you take just a moment to introduce yourself and tell us just a little bit about you personally?

ALAN: Okay, well my name is Alan Barrell. I'm occupied here living in this wonderful city of Cambridge where we have, I would say the closest thing to Silicon Valley outside of America. It's a wonderful cluster of high-technology companies, innovation, entrepreneurship. It's really moving quickly and growing very, very fast because we have such a wonderful science base in the university.

My role here in the university, which is part-time because I'm travelling the world, is this wonderful title, Entrepreneur in Resident. So I'm here to help the young people starting companies or the academics who want to know how to help the young people starting companies, and then there are a few of us that are mentoring and coaching and also of course we're on the boards and we're investing in these companies. So it's a wonderful place to be.

I've done a lot of work with larger companies, I'm a scientist turned businessman turned investor, and then one of my most interesting jobs at the moment is an honorary role as Chairman of the Trustees of the National Association of College and University Entrepreneurs. We have a great, great organization here which



helps peoples in university and encourages form enterprise societies and start new companies. I think that's enough.

WADE: Excellent, well thank you for sharing that. Now let's jump right into your book, *Show Me The Money*, which has been available for purchase back on August 1st, 2013. And Alan, we're going to move quickly, but we're going to talk about the top questions that our readers/listeners want to get answered. And the first one is pretty simple, it's what was the inspiration behind writing *Show Me The Money*?

ALAN: Right, well the main inspiration was the huge interest in new business creation. And the way you think about it, and whatever you read, and you read what Kauffman's foundation says in the U.S.A., it's new businesses and start-ups that are driving the economy of the world. It's interesting since the recession started to about in the U.S.A., all of the new net jobs are on start-ups. So I'm passionate about new company start-ups as a means of growing economies and growing societies. And that was one main reason why we wrote the book, because I go around the world and i talk to entrepreneurs, many, many of them say, "There is no money for our businesses." Then I talk to the investors and they say, "there are no good deals for our money." And there is this gap between the people that need the money and the people that have the money, and the book is intended to bridge that gap and help bring the two together. So to match the talent with the money. That is the main - those are the main two motivators for us to write the book.

WADE: So what would you say makes your book different from others regarding the same topic?

ALAN: Well, it's different by degrees. It is written by practitioners and not by academics. And we've nothing against academics, but you know, we have been there and done it. And it is really based on expertise gained over the years because we have gray hairs and we're living some real we're living, you know, we're through, we're tried, and busy again. That's what happens in life. And we have lots of case studies in this book. We are talking about the real world, and we are talking about the basics. We don't just talk about money, but we talk about

really the elements, and I'll go through that in a moment when we look at the chapters in the book, what it is you have to do to make sure you're starting a solid company. And I suppose you would find, I hope, the reader will find in the book that there's passion in here. This is not a book about accounting. It's not about rates of return. And though we do show you how to work on that if you need to do that, this is much more a book about people and the people element of this whole aisle of new business creation. Money is a tool that enables companies to start and grow and support the economic growth of our different countries. So it's different in the sense that I think it is heavily biased towards practitioners and practice and case studies.

WADE: And how would you suggest that the reader should engage with your book? Is this the kind of a book that they should really take from front to back, or is this one that they can jump in and grab different resources and jump back out?

ALAN: Well it depends on the reader. I've had some very, very good feedback from people who have taken the book and said, "It's not the usual academic, theoretical thing. This is real stuff." And some people have said, "Well once we started into it, we really couldn't put it down. We had to go all the way through it." But you could duck into this book at different stages if you really felt, when you started to read the beginning of it that you've done all those basic things and you're two or three steps ahead, you could miss a chapter or two if you really feel you're ready to get out there and raise the money, and then concentrate on what we're telling people about where the money is and how you might best get it.

WADE: So Alan, you've given us a great background to the book. And now I just want to hand over the mic and allow you to really take us from front to back. And again this is a reader/listener that is wondering if your book is going to be their next book that's going to help them personally or professionally. So will you take us through it?

ALAN: I will, and I hope it is something that helps them professionally because that's why we wrote it. We didn't write it for ourselves or to make a lot of money. We wrote it for one very good reason, too, that we needed it for our work.



Because we are working, those of us that wrote the book, all the time, assisting people to raise money in order to start businesses or grade them.

So the book begins with first principles that's chapter one, and we are going very heavy, and insisting that people really assess their viability. If you haven't started a company, really think hard about whether you should and whether you're ready.

And when you've started to get to the point where you're starting a company, get the basics right. You see, so many companies that start to do well, and then they find that they really haven't got the basics in place. You need the basics in place. You need your management accounts in place from day one. You need proper processes and procedures in place. The boring things, the small things.

And we spend quite a lot of time in the book actually insisting that people study their project, or their company, or where they are in life and think about these basics. Get a sound construct before you really believe you've got a company. So that chapter one is assessing your viability and making sure you're ready and getting it going.

And then once you're at that point, obviously, you need money. You need some money to start any business. And chapter two is about the market for money. Where is the money, where is the money generally, what kind of money can we get, what are the options we have. Many, many people begin to think far too early about venture capital, for example.

As I tell my students and my entrepreneurs that I'm working with, the best source of money for our company is customers. If you can get out there quickly and grow your business by selling stuff and getting money in, that's a very good source of money. Most people can't do that because their business needs to be prepared.

So we look at the market for money and where is the money. We look at family and friends, we look at business angels, we look at loans, we look at venture capital, we look at all of the types of money that are out there and try to enable the reader to think about what might be the best kind of money that he or she

would go for. And it could be a mixture, of course. And of course we recommend the kind of advice that people would get in making that decision because the new entrepreneur may not know very much about those sources of funding.

And one of the very exciting things that we get into in this book, and it's really what another book that will come out in a few months time is about, is how the whole market for money is changing dramatically. The development of the internet and the world wide web has opened up a whole area of source of funds. And the many of the people that will listen to this cast will know about crowd funding. They will have heard about impact investing. Last year alone, five billion dollars - billion, not million, five billion dollars was raised by crowd funding. And what we're seeing because of the way in which entrepreneurs can now access money effectively online is what I call the democratization of capital. So in that chapter we begin to look not only at the traditional sources of money, but we also look at the new sources of money that are coming through. What is the best source of money for my business is what we try to get the reader to work out from what we write in the book.

So having looked at the sources of money where you can try it, what it is, how much you might need, chapter three then gets into the whole issue of preparing for fundraising. And this is something I have spent a vast amount of my life doing with young people and with myself, because I raised a venture capital fund. But preparation for fundraising is so important, and what we're trying to do in that chapter is to get the reader, if they are looking for money, to think about the sources and to think about the investors. Because very often people with great ideas and huge enthusiasm get into the office of the investor and all they can talk about is the product and the technology and themselves.

So what we're doing in this chapter is getting the reader to think about what investors are, what are they looking for. They're human beings, what are their interests. And you need to prepare yourself very, very carefully for that encounter that you're going to have with these people who may be the difference between the life and death of your company.

And we get into the practicalities and you ask them the question earlier, why are we a bit different that most books, well we really are looking here at the detail of how you prepare to talk to investors. Find out about them, get into the minds of the partners and their interests and what they do in life, so that when you enter that room, you may only have an hour, you may only have thirty minutes with the people who may or may not extend money into your business. You really know a lot about them. For example, the simple, practical thing. Many, many entrepreneurs go into an investors just with a PowerPoint presentation.

As I say to them all, you know really you should be talking to the personal assistants or the junior partners of the people you're going to talk to and find out what kind of presentation they like. Some people hate PowerPoints. They see too much of it. Some people like hard copy, some people just like you to go in and present yourself, and they will say that we really want to understand you, Mr. Entrepreneur, before we look at any aspect of your business. So preparing for fundraising is chapter three, and there's an awful lot of detail about the real practicalities of how you do that.

And of course the presentation itself is very, very important that we spend a lot of time not only in the book, but in the work we do with people, helping them to understand how they can best pitch for their business to the investors. Moving on from that in chapter four, we look at competitiveness, we look in some detail at intellectual property and how to manage that because there again in many instances, the entrepreneur is not familiar with how you protect your inventions and needs to have expert advice.

And one thing we advise throughout this book is when it comes to intellectual property protection, and later on when it comes to deal making, you really have to work with the experts. Nobody in my view should try and do a deal of any magnitude without a really smart lawyer at their right hand or their left hand. And we get into in that chapter then the whole issue of negotiating and deal-making, again recommending all the time that the real detail is done by legal advisers, but also explaining to the reader the jargon and the processes. What is a term sheet, what will happen when the investor says, "Well we are interested," what will the next step be - and it probably is likely to be a term sheet, what is a shareholder

agreement, what are the pros and cons of different ways of structuring a deal. So we get into a great deal of that aspect of structuring the deal, deal making. All of those things that you need to do in order to consummate an agreement with an investor. We do look in chapter five in a bit more detail at some of the new sources of funding that I have spoken about. Impact investing, there's venture philanthropy, there are grants, there are non-equity kinds of money. I mean that's another aspect of looking for money; you don't have to give up equity if you can find a source of money that is a grant or some other kind of contract with an investor.

And of course, it's not easy these days for early stage companies to get bank loans because the risk is high. But there now is a very, very significant growth of peer-to-peer lending, where peer-to-peer lending platforms amongst the crowd-funding platforms, where people will lend money to a company in exchange for a reasonable rate of interest, not a huge rate of interest, and that money is much easier to get than money from the banks these days. And indeed, one of the encouraging things about peer-to-peer lending that we write about in the book is that it's based much more on trust. If I put my money directly into a company on a peer-to-peer crowd funding platform, I know where it goes, I can know about the people who will get it, I can know about the projects, I can get reports on the company. Whereas if I put my money into a bank, I don't get much interest these days, and I don't know where the hell the money goes. And all of those things are dealt with in chapter five. The banks, the grants, the new sources of funding, in addition to all the traditional ones that we will have discussed earlier on.

And in chapter six we deal with the often very difficult subject, valuation and financial ratios. Very often, entrepreneurs falter at the stage of valuation. And of course it's natural enough that the investors will try and value the company at a lower value than the entrepreneur. But valuation is not all about calculations and mathematics. It's about understanding the market for money, it's about understanding how investors will value your company, and at the end of the day, of course, an investor will value your company at what he's prepared to pay. It doesn't matter how much the math shows the company might be worth. The investor will be looking at other options, other choices, and we get into that in a great deal of detail. And we then look at what the investors will consider to be the

key financial ratios that they are going to ask you to perform if they put money into your company. And again, it's very important, and we emphasize this to the reader, not to create false expectations, not to oversell. It's very, very hard if you get money from an investor under what are if not false pretenses, false expectations. And all of that is dealt with.

And all the way through in all of these chapters, we are surfacing case studies. Real case studies. And there are some case studies of failures, of things that went badly wrong. And that's important because we learn from failures. And many, many early stage companies do not succeed to the level that they wish. Failures are things we can learn from, and we've got some really interesting case studies in the book from honest entrepreneurs who are quite prepared to say, "Well, things didn't work out the way we had hoped they would, and here are the reasons why. Please take this knowledge and use it in your own case."

And then in the final chapter of the book, what is termed "after the ball is over," after you've had the champagne, you've got the money, and you all feel very happy, that's when the real hard work starts. And of course you have to use that money, as we point out in the book, in order to achieve the results you told the investors you're going to get, and you have to apply the funds in an appropriate way. But there is a very, very important element that we deal with in the book for the entrepreneur that's got money from investors, which is managing those investors. Now in some cases, if you have got money from business angels and venture capitalists, they will want to sit on your board. They will be investor-directors. And we also get into the issue of the conflict that can occur between different investor-directors. Each investor-director will have his or her own agenda, or his fund's agenda.

So once you've taken money into a company that is not your own money in exchange for shares in venture capital, often business angels, then you have your own agendas as founders, you have employee agendas, and you have investor's agendas all to deal with, and that can change the nature of the company. And we talk a lot about the skills needed, and that might be skills that you don't have yourself if you're a young entrepreneur that you bring in in the form of non-executive directors and chairmen who can help you handle the issue of managing

those investors who put a significant amount of money into your company. And we also have to point out that venture capitalists are not putting in their own money. They are putting in the money which they are stewarding for other people. So one of the messages that comes through the book throughout is that venture capital is a difficult situation to manage. And if you really do need venture capital and you get venture capital, then really take advice and think very carefully about how you will be able to manage those investors.

Then of course there's the issue of the future money that you might need and the money supply chain which we get into. And again in that chapter, and elsewhere in the book, we are constantly referring to the need to make sure that you have a clear view in your mind, if you can, of the complete supply chain of money. In the early stages of investment, if you go to an investor and say, "I need half a million dollars," then that investor will say, "Okay, and how much more will you need when that is gone? And how long will that last?" So we're encouraging people and then helping them to think about how do I look ahead a number of years maybe to the total supply chain of money that my company will need before I don't need to take money from outside anymore. And we also write of course about exits and exit routes and how companies can be disposed of. So that's about, that's a rapid journey through the chapters of the book, and I think describes it in as much detail as I can in the time that I have.

WADE: Alan, that was perfect. And that's what I find this next question fairly difficult, well I would imagine it would be difficult, because you just went through a ton of crucial information. And now I'm going to be mean and ask you that if the reader could only take one concept or principle or action item out of everything that you just talked about, what would you want that to be?

ALAN: I would want the reader to take out of the book that the most important factor in everything we are writing about and thinking about is people. The most important thing, if you're dealing with investors, whether they're bank managers or venture capitalists or business angels or your family and friends, is the issue of real understanding and trust. It's a very difficult situation in the current world to think about trust when we read and know about what's happened in some of the banking communities, but I would say think, think, think, about people, not only

money. The money comes along if you've got a really brilliant plan, and regard to planning in this book as well, make sure you've got a plan in order that the investor will see that you know what you're doing. But really focus on people. And I believe that's it very, very hard to say this when you really might be desperate for money, but don't take money from people that you don't think you can work with, or that you can live with, or that you can trust. And to the person looking for money, we say in the book time and time again, do your due diligence on the investor. Don't take the view that due diligence is only something the investor does to the entrepreneur. You need to explore who these people are, other people you want to work with, and if you get it right you can find yourself with a lasting business relationship, which is highly valuable. So it comes back to the people and the depth of trust that you can have in each other.

WADE: And Alan, do you have a favorite quote from your book? One that you personally like or maybe one that might resonate with the audience?

ALAN: I have a favorite quote, which is a very short sentence - story. When people ask me, and it is quoted in the book, "what's an entrepreneur?" And you can go to the business books and you can read that Schlumberger said that entrepreneurs create girths of created deception, but I like the story of a great Irish writer called George Bernard Shaw, who was not an entrepreneur, he was a great writer. We were sitting in his house one day with a young man. The young man was really, really stupid. He was asking the great man many, many stupid questions. And the great man got very angry and he sits up and he shouted at the young man, shut up young men. And he said these words, he said, "You look at things and ask why. But I dream of things that never were, and ask why not?" And what I say to the readers of the book and the students and the entrepreneurs that come to me for advice is think about that, because entrepreneurs are people who do say why not and who are able to make extraordinary things happen. And when you're pitching for money during vespers, they're actually looking for the why not people. They're not looking for the yes, what people or the maybe I can people, they're looking for the why not people. And so, in this which is not my own words, the words of George Bernard Shaw. Why not, you know, Steve Jobs, Bill Gates. Anyone you can think of who's changed the world is a why not person. And men and women looking for money and investors are looking at them are already going to imagine

or look at can these guys really deliver what they think they can and if they can deliver, then they're probably going to be why not people.

WADE: Excellent. I already know that you're going to have an awesome answer to this next question, just based on our conversation so far. And that's that I do believe, personally that your book will help people out. And so, what is a book that has helped you out greatly? It can be on a similar topic, or it can be on any topic whatsoever. But what's a paradigm shifting book that's had a huge impact on you?

ALAN: Well, I've got it here in my head. And it's a book that was written in 1996 when I was considerably younger than I am now. And some of the people listening will know this book. It's a book called Built to Last: Successful Habits of Visionary Companies. And it's written by James Collins and Jerry Porras. And that is a paradigm shifting, mind-shifting book. Its forward examples of wonderful companies that were founded by visionary people who were why-not people and made all kinds of things happen that people said would never happen. And it was a great series of lessons for me when I was building companies and one of the companies that I worked with in the past started from scratch and is now valued at more than a billion dollars market cap. And the book at the time when I was struggling with all of that, and believe me it's a struggle to build billion dollar companies. This book was a great inspiration, and if anyone hasn't read it, it's still in print. You can get it anywhere you want. It's a wonderful book all about how to grow great companies. And mostly here we are looking to grow great companies. And I just opened it, and the chapter, "Big, Hairy, Audacious Goals," it makes you think big and it makes you then come down to earth and see how you can deserve the core values in the company that you're growing. And it's all about companies being much more than profits. So Built to Last: Successful Habits of Visionary Companies was a book that changed my life.

WADE: Excellent recommendation, I love that book as well. And Alan, before we depart, can you recommend the best way for our audience to not only get more information on you, but also get more information on your book?



ALAN: Well, they can get me on LinkedIn. I'm not dramatically active, but I am there. They can get me through my website, alanbarrell.com. They can get me through Google, they can get me through alan@alanbarrell.com. I always answer emails, not always on the same day, but I always answer them. Those are the means through which they can get me, I mean I am on Facebook, I do tweet and I'm on twitter. But really my personal email, alan@alanbarrell.com is the probably the nicest way to make contact with me because I do love to communicate with people.

WADE: That's all, Alan. Thank you so much for your time, and you did a phenomenal job of really laying out your book, and we appreciate you coming on.

ALAN: My great pleasure. Thank you for inviting me.

WADE: Thank you so much for listening in today. If you would like to get your hands on *Show Me The Money* or any of the other resources mentioned by Alan, just look at the show notes at TheELPodcast.com.

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