



## Columbus and Today's Entrepreneur— A Common Bond?

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Raising capital is not new. In fact, it's as old as the hills or as old as the sails, if you will, considering the fact that Christopher Columbus sailed to the New World with the backing of people who were venture capitalists at heart, if not in name. Columbus, it should be remembered, began his groundbreaking journey across the seas in the 15<sup>th</sup> century. He was able to sail the uncharted seas and discover the Americas because of the generous backing he received from Spain's King Ferdinand, even as Queen Isabella remained skeptical.

Of course, King Ferdinand was no venture capitalist, as the term is understood today. But at heart, and in his behavior, he was no different. He was a royal patron who, guided by profit and perhaps greed, looked for new lands to conquer and later plunder. Fueled also by a sense of adventure, King Ferdinand gambled on Columbus' proposal to chart a western route to China. As business plans go, Columbus' was not very different from what one sees today from entrepreneurs.

Few understood Columbus' plan and it would be fair to say, many were downright cynical of its success. The rulers of Portugal, England and Genoa and Venice rejected his plan. Columbus displayed amazing persistence and possessed inordinate motivation. He sought out Spanish friars who served as his angel investors and tapped the royal networks, leading the reckless adventurer to the court of King Ferdinand and Queen Isabella. Even Spain's royal couple initially turned him down, agreeing with some others that his plan was "impractical." Still, Ferdinand and Isabella initially conferred on him an annual annuity of 12,000 maravedis (\$86,000) and furnished him with a letter ordering all Spanish cities and towns to provide him food and lodging at no cost—ostensibly because they didn't want him to take his ideas elsewhere, a trick employed by modern-day venture capitalists.

Finally, Columbus struck success in 1492. Ferdinand and Isabella, who had just conquered Granada, the last Muslim stronghold on the Iberian peninsula, received Columbus in Córdoba, in the Alcázar castle. Still, Isabella turned Columbus down on the advice of her confessor. But as he was leaving town in despair, Ferdinand intervened and decided to fund Columbus' expedition. Much like today's venture capitalists, Ferdinand later claimed credit for being "the principal cause why those islands were discovered."

According to the term sheet Columbus successfully negotiated, he would be entitled to 10 percent of all revenues from the new lands he discovered; and he would have the option of buying one-eighth interest in any commercial venture with the new lands and receive one-eighth of the profits. What happened after his discovery is another story though.

What can we learn from this famous historical story?

First: investing capital in risky ventures with the possibility of never seeing your money again is not something new. Royalty in several countries initially turned down Columbus. Secondly, having sponsors or advisers to help position your story to the "money people"

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can increase your chances of funding your venture. Columbus was helped by the Spanish friars. Thirdly, your potential investor must see a value greater than the money being invested or put another way—your venture must provide the possibility of attaining outstanding riches, even unimagined riches which is what the Spanish royal couple dreamed of. And finally, Columbus was the classic entrepreneur. He never gave up. He sought many investors. He found creative ways to reach some investors.

I guess the more things seem to change the more they remain the same— financing entrepreneurial endeavors have changed little over centuries.

Raising capital is difficult. It will seem acute, and probably frightening, if you have never before asked money from a stranger. I know that firsthand.

In late 2001, I was president and CEO of a technology startup. It was probably the worst time to start a technology company, given the almost overnight demise of the technology investment market now affectionately called “the dotcom bust.” I was successful in raising \$2 million in second round financing but as the weeks and months wore on it became increasingly impossible to find investment funds for our venture. Our sales slowed as no one had the money to buy our product. And over time our burn rate reduced our dream to ashes. This was the hardest and saddest time of my business career.

What I did learn from this experience?

First, launching a company costs twice as much, and takes twice as long as expected to get going. Timing is everything when running a company. One ill-timed move or circumstance can spell doom.

The other thing I learned was that you need to do your homework well and execute plans to build investment value. Demonstrate real time your company can hit significant “value building” milestones. Make it attractive for investors to buy the equity of your company.

And finally, I came to the realization that raising capital is 80 percent perspiration and 20 percent luck—increasing your odds by creating investment value in all areas of your company is the key to success. Show ‘em value and you’ll see capital!

So what I have done from my experience is to write a book to help entrepreneurs raise equity capital. My book is entitled - ***Your Capital Edge™***. It is due out late fall 2010. This book is full of tips, examples, and insights to make navigating the wonderful world of finance a little easier. Armed with the information contained in the book, entrepreneurs can improve their chances of getting the capital they need to support their dreams.

If you would like to be one of the first to read this book, please write me today and we will put you on the premier list which will include a special ***Your Capital Edge™*** bonus for being the first to buy – a value of \$500.

To your entrepreneurial success!

