CAREERS

PEER SUPPORT Use it to improve well-being and research outcomes **go.nature.com/2sputp2**

CAREER CHANGE Embracing a new identity **go.nature.com/3jqlvh5**

SOCIAL Follow us on Twitter: **twitter.com/NatureCareers**

LONDON STOCK EXCHANGE

Get introductions to investors before pitching, says Anne Dobrée at Cambridge Enterprise, UK.

BUSINESS

Pitch perfect

Many scientists-turned-entrepreneurs need to aquire the skill of convincing potential investors.

BY AMBER DANCE

Rushdi Hendricks felt confident in 2016 as he boarded the aeroplane. He was en route to Johannesburg, South Africa, where he intended to convince potential investors to back his latest invention: an innovative treatment for sleep apnoea.

Hendricks, a maxillofacial and oral surgeon at South Africa's University of Cape Town, had developed a biodegradable device that could be implanted at the base of the tongue. The device would encourage native stem cells to form a new tendon, which would pull the tongue forward so that it wouldn't fall back and block breathing during sleep. He'd done his homework: he'd shown that the device worked in sheep and had founded a company to develop it further. Now, he needed 15 million rand (US$1 million) to move his invention into human testing.

Armed with a PowerPoint presentation and accompanied by representatives of the university's Research Contracts and Innovation office, he was ready to present his plans to Netcare, the largest private-hospital network in South Africa. At the meeting, he told the story of the product, which, he explained, could help people with sleep apnoea when the usual breathing apparatus doesn't work. He laid out the market and the potential for future growth.

Hendricks didn't manage to secure any cash, but he did get a promise that his company, Dreamhaven, could use Netcare beds and operating theatres for its clinical trials, for free. He considered it a good deal.

Such deals can come from many sources: from the inventor's university, an 'angel' investor or a large venture-capital firm, to name just three. Scientists-turned-entrepreneurs will need an impressive pitch to convince investors to open their wallets, but pitching is a skill that can be learnt.

They should look carefully at potential investors, to find those that are a good match in terms of interests, goals and values. They might also look for investors with a record of valuing diversity.

The key to securing the cash, however, is presenting a compelling pitch that showcases the scientist's qualifications, product, team and plans — as well as their enthusiasm for their early-stage business. "In entrepreneurship, I have to do so many presentations, and I have to be passionate," says geneticist Brittany Barreto, co-founder and chief executive of Pheramor, a DNA- and social-media-based dating service in Houston, Texas. She also co-founded the couples website WeHaveChemistry. "I have to believe in myself and my product so much that it makes others believe in it."

ANGELS AND OTHER INVESTORS

Founders can find funds by applying to incubators and accelerators, programmes that often combine investment with resources such as entrepreneur training. These organizations can also point founders to other investors. Fledgling teams can attend commercial conferences and enter competitions (see 'Find the money'). In some areas, local investors gather regularly to hear pitches and meet start-up founders. Entrepreneurs can also look to angel investors — individuals who put their own money into early-stage companies.

What if the founder doesn't know any potential investors? Then it's time to network. "The best way to find them is simply to ask a lot of people whom they know who may be in a position to invest," says Daniel Batten, an entrepreneur and coach in Auckland, New Zealand. "Simple, but surprisingly effective."

It is also important to do some research on potential start-up investors, advises Anne Dobrée, head of seed funds at Cambridge Enterprise, a subsidiary of the University of Cambridge, UK. "Look at similar companies to see who is investing in that space," she suggests. Investors' websites should indicate the fields or types of product they're interested in, and whether they invest in start-ups.

Some scientists-turned-business launchers might not have the necessary connections, says Kristy Campbell, chief operating officer of Rev1 Ventures, a 'start-up studio' in Columbus, Ohio, that builds up companies. That should be fixed sooner rather than later, she says. "It's never too early to approach investors, and get buy-in and feedback from experts." It's fine to do so even if founders haven't decided everything about the company's approach yet, she adds.

That said, scientist-entrepreneurs should try to avoid approaching investors cold, adds Dobrée. They should look for a way to get an introduction if at all possible. Friends, family members or academic connections might be helpful here. If not, the entrepreneur should seek an association or commonality that they might have with a member of the investment team — perhaps they attended the same university, for example.

As companies mature and expand, they can look to venture capitalists, who invest in firms on behalf of a large pool of investment funds.

MEETING OF MINDS

Another potential source of early funding is government grants. In 2014, Dreamhaven won 500,000 rand in seed funding from South Africa's Technology Innovation Agency (TIA) for the sheep studies. When that work was successful, he applied for 15 million rand for human trials. Last October, he met the TIA representatives in person for the first time.

At the meeting, he was able to answer their questions, such as whether the stem cells will keep building tissue forever (they won't), and laid out his budget spreadsheet with timelines and contingency plans. The investors seemed convinced. And Hendricks thinks that his personal approach helped, too.

So does Francois Oosthuizen, the university's technology commercialization manager. "Dr Hendricks took time to listen to the funders' concerns and questions," he says. "Rushdi's warmth and experience enabled him to reassure funders of his ability, and the value of the invention." Although the TIA hasn't yet signed on the dotted line, the funding procedure is in the final stages.

"It helps a lot to have that personal contact with people," says Hendricks. "When they finally met me, they were sold."

Personal attitude matters to investors, says Sean O'Sullivan, managing partner at the international venture-capital firm SOSV in Princeton, New Jersey. After all, investors are getting into a years-long legal relationship with founders. "Congeniality is good," he says, but "honesty is absolutely imperative". He's looking for founders who care about the company's mission and will listen to customers, not people who are out simply to line their own pockets. They should also be open to advice from SOSV's accelerators.

IndieBio in San Francisco, California, is one of those accelerators. For example, last August, IndieBio started conversations with a New Zealand company called New Culture, which aims to use bacteria to make vegan versions of dairy products, recalls IndieBio scientific director and partner Jun Axup. The company founders were leaning towards milk, but IndieBio suggested cheese instead. Vegan cheese is in high demand, but the current market offerings don't capture the taste and texture of cow-milk-based versions. Plus, cheese had the potential to be a high-end, profitable product.

The New Culture team disappeared for a couple of weeks, then got back in touch to say it had considered the cheese idea and was looking into it. A few months later, it sent photos of some cheese prototypes. The team was clearly open to coaching, and the accelerator

REV1 VENTURES

Turn a negative into a positive for investors, recommends Kristy Campbell at Rev1 Ventures.

FIND THE MONEY

Online resources

Personal networks are generally the best way to find resources and investors, but online research can also help.

- FoundersBeta lists start-up competitions in the United States, Canada and elsewhere.
- A blog by the Belgian customer-relationship manager Salesflare lists 50 start-up conferences happening this year.
- Seed-db.com lists 190 accelerators, worldwide.
- AngelList sets out 555 investors, along with their interests and locations around the world.
- Boogar.com lists venture-capital firms around the world, searchable by name, interests and location. It also includes angel investors. A.D.

was happy to take it on board, bringing it to its San Francisco labs, where New Culture is now producing vegan mozzarella.

Another feature O'Sullivan looks for is a team, rather than a single founder. When only one person runs a company, he says, it might signal that they don't work well with others.

MAKING THE PITCH

However much external investment is needed, the pitch is crucial. Entrepreneurs will probably need to deliver a few presentations, says Barreto. It's useful to have a minute-long 'elevator pitch' ready to go in the event that the entrepreneur runs into an investor outside a formal setting. And founders are sometimes invited to give a 20-minute pitch to a group of angel investors.

Scientists can learn the skill of pitching, says Batten. "There's an art to it, but there's also a science," he says. A pitch must include certain features: details about the team, the product and the market (see 'Key ingredients'). But it's important to present those elements in an engaging way.

"Humans make decisions based on emotions, not on logic," says Batten, who is himself an investor. Successful entrepreneurs tug on investors' feelings, turning their problem and solution into a compelling story. For example, they might describe how a patient would benefit from what the company has to offer. Or, they might use statistics to their advantage to put a personal slant on an ailment or medical condition. For example, says Batten, "in 20 years, one of us will be dead, and one of us will be in a wheelchair". That, he says, gets listeners' attention.

A pitch doesn't have to include every possible statistic or answer every conceivable question about the technology, Batten adds. "It's about going for curiosity, not closure." A cheque probably won't come until a few more conversations have occurred.

For scientists new to pitching, practice and coaching can help. For example, Batten recalls one client whose presentation went beautifully until he looked down and fumbled his words when requesting money. "What we were watching was a mindset issue, not a skill-set issue," says Batten. He helped the scientist to change his outlook: he wasn't selling something, he was helping his research have as great an impact as possible. On the next pitch, the presenter looked listeners in the eye, and didn't stumble.

PICKING PARTNERS

The relationship between founders and investors is about more than just funds. Although some investors will sit back and wait for financial returns, others will want to be active in the company.

"Ideally you want someone who will add value, not just bring money," says Dobrée. Investors can have relevant experience and be able to offer advice and guidance. They might want a seat on the management board so that they can be involved in decisions. No matter the extent of the investor's involvement, "the investor should be someone you value and trust", Dobrée says.

Venture-capital funds can be particularly risky, warns William Bains, a biochemist and entrepreneur near Cambridge, UK. He's found that some such companies will set a time limit on when they need to see a return on investment, even if that means selling the company to another business or organization. "Money always comes with strings attached," says Bains.

Venture-capital funding often isn't the best choice for an early-stage start-up, advises Bains. It's better later, he says, when a company is growing fast and needs tens of millions of dollars, pounds or euros.

To find out about a venture capitalist's plans, just ask, advises O'Sullivan. Are they in it for the long haul, or do they expect to get a return within a few years? Savvy founders do their homework on investors, getting the inside view from others who have worked with them.

That means it is sometimes best to turn down the money, says Batten. Watch out, he advises, for investors who don't listen to the founders, or who are trying to minimize the entrepreneur's equity or role. "It's honestly better not to get investment than to get non-aligned investors," he says.

Part of that alignment can have to do with an appreciation for diversity. Unfortunately, investor populations don't always value the full spectrum of scientists with great ideas. "In most pitch competitions, I'm the only woman," notes Barreto. She's also occasionally shown up ready to present, only for investors to ask her when the chief executive will arrive. (Sometimes, to avoid such questions and to emphasize her scientific credibility, she dons a lab coat.)

According to a 2015 analysis by tech publication *The Information* and venture-capital firm Social Capital in Palo Alto, California, fewer than 1% of US senior venture capitalists the tech industry involved in investment decisions are black, and just 1.3% are Hispanic. Women make up 8.2% of senior investment teams at top-tier firms (see go.nature.com/32uk56v).

There's also a gender gap for US entrepreneurs. Female business launchers who pitch to investors receive, on average, US$1 million less than do men, according to 2018 research by Boston Consulting Group in Massachusetts and the accelerator network MassChallenge. Yet female-owned businesses earn more than twice as much as male-run companies, the research suggests (see go.nature.com/2nya2wp).

Female entrepreneurs will probably get asked more questions about their qualifications than will men, warns Nancy Wang, co-founder and chief executive of the international non-profit organization Advancing Women in Product in San Francisco. They might have to tout credentials, such as a PhD, to 'prove' their worth.

There's no one way to reply to gender-biased grilling, but Batten suggests a direct approach: "These questions seem to be more about my ability to maintain the company than grow it. Is this the same sort of question that you ask male entrepreneurs?"

And Campbell adds that it's important not to let such questions throw you. "You need to be prepared to turn a negative into a positive and show how you'll handle challenges with your product, market, team and growth plan."

It can take time to find the right investors and build up the necessary capital. Hendricks has been working on Dreamhaven for nine years. In addition to Netcare and the TIA, he is in talks with other potential partners and investors, but he is finally ready to test his device on people. Dreamhaven expects to start human trials by the end of the month. ■

Amber Dance *is a freelance writer in Los Angeles, California.*

KEY INGREDIENTS

Essential components of a successful pitch

All pitches should include this information, but be sure to frame it in a way that will appeal to investors' emotional sides. Tell a story, for example, or link the product to them personally.

- Who the founders are.
- The problem you're solving: what gaping hole in the market are you filling?
- What your product or service is. Bring a prototype, or at least a picture.
- The intellectual property or other technology you own.
- Who your competition is, and why your product or service is unique or better.
- Who your target customers are.
- Testimonials from those customers or people who have tested your offerings.
- Your marketing plan to reach those customers.
- Your revenue model: are you selling goods or services, subscriptions, licences, data?
- Your exit strategy: how they'll get a return on their investment. Will you sell shares to the public, for example, or sell your technology to a larger company?
- What, specifically, you're asking investors for. A certain amount of money? Partnership? A.D.