



RAISING CAPITAL 101: KEY INSIGHTS FROM AN EXPERIENCED ENTREPRENEUR

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JP James, founder of Hive Financial, has spent over 27 years building 18 companies, leading multiple successful exits, and raising hundreds of millions in capital across equity, venture, debt, and institutional sources. As a longtime lecturer at Georgia Tech, Georgia State, and the National War College, his frameworks and philosophies on capital raising reflect both deep practice and sharp strategic insight. This article distills key lessons from a recent masterclass that synthesizes years of hard-earned experience into actionable guidance for entrepreneurs, founders, and Hive Financial Assets investors.

Quick Summary – Key Takeaways:

- **Relationships First:** Successful early-stage fundraising is built 90% on relationships and trust. Investors are ultimately betting on you, the founder, as much as on the idea. Personal credibility and consistency over time are crucial.
- **Start Small, Build Up:** Most founders begin with friends and family funding before approaching angel investors or venture capital. Even small checks (\$5–10k) from people who believe in you can get the ball rolling. Don't overlook smaller investors in pursuit of a big \$500k check. They provide early validation and support.
- **Bet on the “Jockey”, not just the Horse:** Investors often prefer an A+ team with a B+ idea over a B+ team with an A+ idea. A strong track record or an experienced team member can dramatically improve funding prospects. If you lack domain experience, bring on partners/advisors who have it.
- **Know Your Business (and Explain It Simply):** Be crystal clear about how you make money and what problem you solve. Avoid overusing buzzwords (AI, blockchain, etc.) and translate technical concepts into simple, tangible value. Investors without your technical background should still grasp the opportunity.
- **No Plan Survives First Contact:** Financial projections (pro forma) never unfold exactly as planned in startups. Investors know this. What matters is that your story aligns with your numbers and that you've thought through the business model. Be ready to adapt – “no business plan survives first contact with customers” – and show that you can pivot or iterate as needed.
- **Understand Your Investors:** Different funding sources have different goals. Angel investors and family offices might be more patient or mission-driven; VCs need the potential for 10x–100x returns and typically seek very large markets. Match your approach to the type of investor. If your venture isn't a fit for VC hyper-growth, it's okay – just plan alternative funding and exit strategies.
- **Mind the Terms (Control is Key):** It's not just about the valuation – pay close attention to deal terms and board control. Giving up board seats or control too early can come back to haunt you. Many founders have been ousted from their own companies by not retaining any control during down times. Strive to preserve founder voting power or protective provisions, especially in early rounds.
- **Continuous Raise, Continuous Relationships:** Fundraising is often a full-time, ongoing job for startup CEOs. Expect to spend significant time meeting investors, traveling, and nurturing relationships – even after you secure the first checks. Each milestone achieved is typically just a bridge to the next funding round, until you reach profitability or exit.

- **Resilience and Adaptability:** Finally, prepare mentally for a long, challenging journey. The entrepreneurial path is a rollercoaster – setbacks, failures, and pivots are normal. What sets successful founders apart is persistence, willingness to learn from failure, and the ability to keep assembling the puzzle until it clicks. It's a marathon, not a sprint.

Introduction: The Art (and Science) of Raising Capital

Raising capital is one of the most daunting tasks for any entrepreneur. It's often described as a part-time job on top of running your business – and for good reason. In a recent workshop, JP James (with over 27 years of experience founding companies and raising hundreds of millions in capital) shared candid insights on how to navigate the fundraising journey. He has started 18 companies (with 3 exits and 4 still operating) and currently leads Hive Financial, a financial technology venture – has been in the trenches of startup fundraising from **bootstrapped beginnings** to multi-million dollar venture rounds. He's also taught entrepreneurship for years (from Georgia Tech and Georgia State University to the National War College in D.C.), so he has a passion for breaking down these lessons for others.

In this blog post, we distill the key lessons from that talk into a comprehensive guide. Whether you're trying to raise a small angel round or gearing up for a Series A, these insights will help you approach investors with the right mindset, preparation, and strategy.

1. Relationships Matter More Than Anything

“90-plus percent of raising early-stage capital is the relationship.” This was one of the first points emphasized. While having a great idea and solid business plan is important, what ultimately opens investors' checkbooks is trust. Investors want to know you, like you, and believe in you before they'll fund your startup. Especially in early stages, they are often “betting on the jockey, not just the horse.” In other words, who is running the company is often more critical than what the company is doing .

Why are relationships so paramount? Early-stage ventures have very little data or traction to prove their worth. Investors, therefore, make decisions largely based on their confidence in the founder. They ask themselves: Do you have the grit and adaptability to navigate startup chaos? Are you credible and honest? Do you follow through on what you say? Building this kind of trust takes time and consistent interaction – you can't achieve it with a single cold email or a slick pitch deck alone.

Real example: JP noted that in his current company's initial raise, many investors wrote checks largely because they had known him for years and respected his track record. In contrast, during his first startup, he had no reputation and found it extremely hard to get anyone to invest. Over time, by keeping in touch and updating supporters on each project (even the ones that failed), he built a network of believers. Many of his funders have invested in multiple ventures of his – because a strong relationship was already there.

Actionable tip: Nurture your network before you need it. Attend industry events, connect with mentors, join entrepreneur groups (like TiE – The Indus Entrepreneurs – or local angel networks), and help others when you can. If people get to know you as a smart, reliable, and driven individual, they'll be far more inclined to back you when the time comes. Fundraising is not a transactional hustle; it's a relationship-driven process.

2. The Funding Ladder: Friends & Family, Angels, and Beyond

In the very early days, your first investors are likely to be people who already trust you – often friends, family, or former colleagues. It's rare for a pure stranger or institutional VC to fund a raw startup with no traction. **Most founders start with personal savings and friends/family money.** These are the folks who believe in you (not just the idea) and are willing to take a leap of faith.

Don't dismiss small checks. A common mistake is thinking "I need \$500k, and nobody in my family can write that big a check." Maybe not – but do you know 10 people who might invest \$5k each? Small investments can add up and, more importantly, give you validation. The talk included a story of a first-time founder who was pitching VCs for \$500,000 and getting nowhere. James asked if she had tried friends and family; she was hesitant because none could give \$500k. But in her network, many could invest \$5k or \$10k. By assembling a group of those smaller investors, she could reach her goal. The lesson: early funding often looks more like a patchwork quilt than one big check.

It's true that having many small investors can clutter your cap table (the list of company owners). However, at the seed stage this is normal, and there are legal mechanisms (like using a SAFE note or pooling investors into one vehicle) to manage it. The benefit of friends & family investors is that they are investing in you out of trust or love, not an elaborate due diligence on your business metrics. They give you the runway to build a prototype, get traction, and eventually attract bigger investors.

Next come the Angels. Angel investors are typically high-net-worth individuals who regularly invest in startups (often former entrepreneurs or executives themselves). They might invest anywhere from \$10k up to \$250k individually. Angels can be found via local angel networks, pitch events, or personal introductions. For example, James and his peers run an TiE Atlanta Angels group that has invested in ~65 deals over ~7 years. Many cities have similar angel clubs or networks. Angels are used to the risks of startups, but they still primarily invest in people and ideas they connect with. If you don't have prior connections, you can start building relationships by attending events like Venture Atlanta (if you're in the Southeast US) or other startup showcases to meet them.

After angels, you might encounter high-net-worth individuals (HNWIs) or family offices. These are basically ultra-wealthy individuals or families who invest more substantial sums (sometimes through professional managers). Family offices manage wealth often in the hundreds of millions or more. They can write bigger checks and even lead rounds, but unless you have a connection, approaching them cold is difficult. Often, they'll refer you to their investment managers who apply very strict filters – most such meetings end in a polite “no.” Family offices, like VCs, prefer opportunities that match their investment thesis and risk profile. However, if a family made their money in your industry or has a passion for your domain, they can be great strategic partners.

Venture Capital typically enters around the Seed or Series A stage (once you have product-market fit or early revenues). VCs manage other people's money in funds, and they have a mandate to invest in companies that can scale dramatically. They are hunting for the next billion-dollar “unicorn.” So venture money comes with strings: expectations of aggressive growth, often a need for you to give up a board seat or certain controls, and pressure to pursue a big exit (since VCs only profit when you sell or go public). Venture capital can be transformative – it can fuel rapid hiring, product development, and expansion. But it's not suitable for every business. As JP put it, “If you can't realistically paint a path to 50x or 100x returns*, most VCs will not be interested.”*

Reality check: The vast majority of startups never raise venture capital, and that's okay. There are many other ways to fund a business (reinvesting revenue, bank loans, strategic partnerships, crowdfunding, etc.). VC is simply one tool, meant for a narrow band of companies that need fast growth and can support a huge outcome. Only about 0.05% of startups are funded by VCs, according to one infographic (in fact, in the U.S. more startups are funded by personal credit cards than by venture capital!). So, calibrate your expectations: you're not a failure if you don't land a big VC round – just focus on the appropriate funding sources for your stage and goals.

Most startups are funded by personal savings, friends & family, and angels – while only a tiny fraction ever receive venture capital. An infographic by Fundable shows that **57% of startups are funded by personal savings***, 38% by friends/family, and less than 1% by VCs. Venture capital grabs headlines, but early support usually comes from your own network.*

3. Your Pitch: Focus on Problem, Solution, Money, and Moat

When it comes time to actually pitch investors, it's crucial to nail the basics of your business in a clear and compelling way. Here are the core elements to communicate:

- **The Problem & Your Solution:** What pain point are you solving, and how? Investors want to quickly grasp why your startup should exist. Spend time refining a sharp problem statement and how your product or service uniquely solves it. Avoid rambling about nice-to-have features – zero in on the value proposition. For example: “Small retailers lose 20% of potential sales due to stockouts. Our AI-driven inventory platform predicts demand so they never run out of popular items.” This clearly states the problem (lost sales from stockouts) and solution (AI inventory predictions), in plain language

- **Market Opportunity:** How big and attractive is the space you're targeting? Venture investors, in particular, are looking for large addressable markets (often in the billions). If you're pitching a VC on a niche business that can at best reach \$10 million in revenue, it's a hard sell. But if you have a credible shot at a big market, emphasize that. Even angel investors want to know there's a reasonable upside for their investment, though they might be satisfied with a more modest outcome than VCs. Show that you've done your homework on the industry size, growth trends, and where you fit.
- **Business Model** – How Will You Make Money? This is absolutely critical. Surprisingly, many founders gloss over monetization assuming it's obvious or can be figured out later. Don't assume – spell it out. Is it a product sales model, a subscription (SaaS), commission-based, advertising revenue, licensing, etc.? Who pays, how much, and why will they pay? If you haven't launched yet, you may not know exact pricing, but you should have a strategy (e.g. "We plan to charge a monthly SaaS fee based on number of users, roughly \$500 per client on average"). Investors will also expect you to understand your unit economics – basically, the cost to acquire a customer and the revenue or margin that customer generates. If it costs you \$100 in marketing to get a customer who subscribes for \$50/month, will they stay at least 2 months just to break even? These economics don't have to be perfect from day one, but you must show a path to profitability per customer or per transaction.
- **Traction or Proof Points:** If you have any customer traction, pilot users, early revenue, or even a successful beta test – show it off. Early evidence that "this actually works" is gold. It reduces the perceived risk for investors. Even qualitative testimonials or a growing waitlist can count as traction. And if you're pre-product, then traction might be your personal track record or partnerships secured. Essentially, de-risk the venture in the eyes of the investor. Make them feel, "Okay, this is not just an idea – it's actually happening."
- **Your Moat / Differentiation:** Why can't someone else easily do this? What's your sustainable competitive advantage? This could be proprietary technology (and yes, patents if you have them, though patents are tough to get for software/AI), exclusive partnerships, unique expertise, data you've accumulated, or even just a head-start in execution. Given enough time and money, almost any idea can be copied by a determined competitor or incumbent. Investors know this, so they want to hear how you'll defend your turf. For instance, maybe your AI algorithms improve with each customer's data – that network effect makes it harder for a copycat who starts from scratch. Or perhaps you've assembled a founding team with rare expertise or industry connections that others lack. Make your unfair advantage part of the story.
- **Team and Track Record:** We already stressed how much betting is on the jockey. In the pitch, dedicate a slide to the team's background. If you or your co-founders have prior startup successes, domain know-how, or even relevant failures (with lessons learned), highlight those. If you're a solo founder lacking certain skills, be ready to discuss how you'll fill that gap (e.g. advisors, key hires, or co-founders you plan to bring on). Remember the JP's own experience: whenever he tried to be a solo hero wearing all hats, those ventures struggled or failed. The ones where he partnered with people who complemented his weaknesses (be it operational experts or industry veterans) had a much higher success rate. Investors appreciate self-awareness – show that you have the right people on board (or that you know you need to recruit them).

- **Financials and Forecast:** Almost every pitch will have some form of a financial projection – a look at how your revenue, expenses, and cash needs might pan out over the next 3–5 years. Here’s a secret: everyone knows these numbers will be wrong. James jokingly challenged: “Find me one startup where the pro forma met reality – I’ll give a grand prize if you do!” The point of financial projections is not to accurately predict the future (you won’t), but to demonstrate that you have a logical model for how the business could scale. It shows your assumptions about pricing, costs, growth rates, and capital requirements. Make sure your financial model passes a sanity check and aligns with your narrative. If you claim you’ll be a \$100 million company in 5 years, but your market size today is only \$50 million, that’s a red flag. If you say you’re a SaaS business but your model shows most of revenue coming from one-time sales, that’s inconsistent. Show ambitious but credible growth, and be ready to explain the key drivers. And definitely know your burn rate (how much cash you’re spending monthly) and runway (how many months of cash you have before needing another infusion). Investors will ask.

One more piece of advice on pitching: tune your language to the audience. If you’re pitching a partner at a tech-focused VC, they might appreciate more technical detail. But if you’re talking to, say, an angel investor who made their money in a non-tech industry, avoid heavy jargon. JP mentioned that in his own fintech/AI company, they literally banned words like “AI”, “machine learning”, “crypto”, etc. in early pitch conversations. Why? Because everyone throws those buzzwords around, and unless the investor is deeply technical, it doesn’t differentiate you – it just causes confusion or skepticism. Instead, focus on what the technology does. For example, rather than saying “Our product uses advanced machine learning algorithms on credit bureau datasets,” you could say, “Our software learns from millions of past credit decisions to accurately predict which loan applicants are safe to approve.” The latter gets the idea across in plain English. **Save the in-depth tech stack discussion for a follow-up with their technical team** (if it comes to that). Initially, you need to win hearts and minds with vision and value, not technical specs.

4. Leverage Modern Tools (But Remember the Basics)

We live in a time where entrepreneurs have access to incredible tools – from AI-driven analytics to platforms that can summarize and transcribe meetings. JP encouraged founders to take advantage of these, especially for efficiency in the fundraising process. For instance, he suggests recording important meetings (with permission if required) – whether internal strategy sessions or calls with investors – and using transcription and large language models (LLMs) like GPT-4 to extract insights. You can quickly get a summary of what was discussed, identify follow-up to-dos, or even ask an AI, “What were the biggest concerns the investors raised in this meeting?” This can help you refine your pitch and address weak points before the next meeting.

Moreover, using AI tools, you can practice answering tough questions. For example, you could prompt ChatGPT with something like: “You are a skeptical investor; ask me 10 hard questions about my startup’s business model (or about our financials, etc.).” This kind of practice can prepare you for real-life grilling. The key, JP noted, is that the quality of output depends on the quality of your questions. So become good at asking specific, probing questions of these tools (and of your team).

However, despite all the fancy tools, the basics of fundraising remain unchanged. It's still about human-to-human trust and persuasion. AI can help you analyze data and even assist in drafting emails or business plans, but it cannot build a relationship for you. So use technology to augment your work, not to replace the personal touch.

5. Common Early-Stage Pitfalls to Avoid

Drawing from experience, here are some frequent mistakes founders make in their fundraising journey and how to avoid them:

- **Setting Unrealistic Valuations:** Everyone thinks their baby is beautiful – and it probably is – but you must stay grounded in what investors consider reasonable for your stage. If you're pre-revenue with a prototype, you likely can't justify a \$20 million valuation, for example. Research the comparables (comps) in your industry and region. Tools like PitchBook or Crunchbase (often accessible via startup programs or advisors) can provide data on recent deals. If other AI SaaS startups at your stage are raising at \$5M pre-money valuations, and you ask for \$15M, you better have something truly exceptional. Otherwise, you risk scaring off investors or ending up with a down-round later. It can be helpful to use a SAFE with a valuation cap at pre-seed – this way you defer setting a precise valuation until a priced round, but still give early investors some price protection. JP mentioned a guideline: talk to local angel groups or seed funds to gauge typical valuation ranges. In Silicon Valley, valuations might skew higher; in other regions, they may be more conservative. Know your context.
- **Pitching the Wrong Investors:** Do your homework to target the right kind of investors. If you're a consumer B2C app with no revenue, pitching a traditional bank's venture arm or a late-stage growth fund is a waste of time – they won't invest in such an early risky concept. Likewise, if you are a hardware manufacturing startup requiring heavy capital expenditure, many software-focused VC funds will pass. Look at what sectors an investor focuses on, what stage, and check their portfolio. Warm introductions help immensely – a referral from someone the investor trusts can get you a meeting that cold outreach wouldn't. And as harsh as it sounds, don't bother chasing investors who have never done a deal in your industry or stage; your time is better spent doubling down on those who do.
- **Ignoring Cash Flow and Runway:** It's easy to get so fixated on pitching and product development that you take your eye off the cash in the bank. But cash flow management is life or death for startups. Keep a tight handle on your monthly expenses and understand your runway (how many months before funds run out). Ideally, you start raising the next round when you still have 6+ months of cash left. If you wait until you're nearly broke, you'll be negotiating from a place of desperation – which often results in bad terms or not being able to close in time. Also, raising always takes longer than you think. A common mistake is to assume "once I meet investor X, we'll have money in a few weeks." In reality, due diligence, legal, and paperwork can stretch for months after verbal interest. So plan buffer for that. In the interim, control burn rate. As the saying goes, "raise enough money to reach the milestones that unlock the next funding." Figure out what key proof points you need for the next round (e.g. a certain revenue target, a successful pilot, regulatory approval, etc.) and budget accordingly.

- **Being Unprepared for Diligence:** Early on, an angel investor might write a check based on a few meetings and gut feeling. But as you move up, investors will dig into your business “data room.” They’ll want to see your incorporation papers, cap table, financial statements (even if rudimentary), customer contracts, IP filings, and so on. If your paperwork is a mess or your numbers don’t reconcile, it creates doubt and slows down the process. It’s worth keeping your records organized from the start. Even simple things like using QuickBooks or an accounting software to track expenses, and having a basic profit & loss statement, balance sheet, and cash flow statement prepared, will signal that you’re on top of things. You don’t need a full-time CFO at seed stage, but maybe hire a bookkeeper or use a CPA a few hours a month to close your books. Trust us, when an investor asks for these and you can promptly provide them, it builds confidence. And make sure the cap table (ownership list) is accurate and up to date – you should always know exactly who owns what percentage of your company before you start negotiating new investments.
- **Overpromising or Inflexibility:** It’s good to be optimistic in your vision, but be careful about promising the moon or sticking stubbornly to a single plan. Investors appreciate ambition but also value realism. If you claim you’ll acquire 1 million users in your first year with zero marketing budget, you’ll lose credibility. Likewise, if during Q&A an investor suggests a potential pivot or alternate market and you shut it down outright, you may seem inflexible. You don’t have to agree with every suggestion (in fact, you shouldn’t – some will be bad). But keep an open mind and demonstrate that you’re coachable. Many investors see their role as bringing experience and guidance, not just money. They want to back founders who are eager to learn and adapt, not those with a know-it-all attitude. Show that you’ve done research but also that you’re listening and constantly testing assumptions.

6. Deal Terms and Maintaining Control

Let’s say your pitch was successful and an investor is ready to commit – congratulations! Now comes the term sheet and investment documents. It’s vital to understand what you’re agreeing to. While valuation (the price of the deal) gets the most attention, the terms can often have more impact in the long run. You don’t need to become a lawyer, but do have a basic grasp of key terms or get advice from a lawyer/mentor who does. Here are a few to watch:

- **Equity vs. SAFE vs. Convertible Note:** Early-stage rounds are often done via SAFE (Simple Agreement for Future Equity) or convertible note, which means the investor’s money will convert into equity at a later event (like the next priced round), usually at a predetermined cap or discount. These instruments are simpler and cheaper (legally) than doing a full equity round. If you use a SAFE, it likely has a valuation cap (the maximum valuation at which their money converts) and perhaps a discount (like 20% off the next round’s price). Understand those numbers, because they effectively set the minimum equity you’re giving away for that check. (E.g., \$500k on a \$5M cap SAFE will be at least 10% of your company, possibly more if the next round is lower). A priced equity round (e.g., selling Series Seed/A stock at \$X per share) is more complex but gives everyone clarity on ownership immediately. Choose what fits your situation – SAFEs are great for speed, but accumulating too many notes can complicate future rounds.

- **Board Seats and Voting Rights:** This is crucial for control. In the frenzy to get funded, many founders happily give an investor a board seat or a majority of voting shares without considering the implications. JP shared a cautionary tale: he has seen cases where a founder was voted out of their own company by the board when things went south. If you only have, say, two board members (you and one investor), and you hit a crisis, that investor effectively has 50% say – they could bring in a new CEO “for the good of the company” against your will. As a safeguard, try to maintain either a board majority or at least a veto on certain decisions at the early stage. If a VC insists on a board seat, consider expanding the board to 3 (you, the VC, and an independent mutually agreed) so no single investor has unilateral control. Also, be mindful of protective provisions – these are clauses that give investors veto rights on certain company actions (like raising more funding, selling the company, etc.). Some are standard, but negotiate anything overly restrictive. You don’t want to be handcuffed from pivoting or raising reasonable follow-on rounds. Remember, you’re entering a long-term partnership with investors. Clarify expectations and rights now, to avoid painful power struggles later.
- **Liquidation Preferences:** Most venture-style investments will have a liquidation preference, usually “1x non-participating” which means the investor gets the greater of either their money back or their ownership share at exit, but not both. This is generally fine. Be cautious with anything higher (like 2x or “participating preferred”, which can let investors double-dip on exit proceeds). Those can seriously skew who gets what in a sale. In angel rounds, you might not even have prefs, but once VCs come in, expect them.
- **Dilution and Option Pool:** Investors may ask you to create an option pool (for future hires) as part of the round. This is essentially holding aside a percentage of equity (often 10–15%) for employee stock options. Importantly, who pays for that pool in terms of dilution is negotiated. VCs often want the pool “pre-money,” meaning the dilution hits you (the founders) rather than the new investor. It’s somewhat technical, but just realize a requirement for a large option pool can effectively lower your true valuation if not accounted for. Make sure the pool size is sensible for your hiring plan; don’t let them force an unnecessarily big pool that you might never use, as it’s a chunk of your ownership gone.

In summary, **get informed on term sheets**. There are great free resources and plain-English guides to term sheets (from YC, Series Seed docs, etc.) – read them. And don’t hesitate to consult a lawyer who specializes in startups. Yes, legal fees cost money, but signing bad terms will cost a lot more down the line. The goal is to strike a fair deal where both you and the investors feel protected and aligned.

7. If Not VC, What’s the Exit Plan?

Not every company is destined for an IPO or a high-profile acquisition, especially if you choose not to take the VC path. And that’s fine – but if you’re still taking any outside money (even from angels), those investors will eventually want a return. As a founder, you should think early about how and when investors will liquidate their stake. Here are some possibilities:

- **Acquisition by a Strategic Buyer:** Maybe a larger company in your industry might buy you out in a few years if you build something valuable. This is a common exit for startups. If you foresee this, identify who those potential acquirers are. During pitches, you can mention, “Companies like [bigco] or [mediumco] have made acquisitions in this space – for example, BigCo bought Startup X for \$50M last year. We could be a similar strategic fit for them once we hit [milestone].” This shows investors there’s a logical buyer when the time comes. Do note: you can’t promise an acquisition (you don’t control BigCo’s decision), but you can position the company to be attractive to them.
- **Buyback or Dividends:** If your business becomes profitable and throws off cash, one way to provide returns is to share those profits. This could be through dividends (paying shareholders cash periodically) or a stock buyback (using company cash to purchase some of the investors’ shares at an agreed price). Many angels would be quite happy getting, say, a 5x return over several years via profit distributions – it’s not the moonshot outcome, but it’s a win. JP mentioned that in his current company (which is profitable), they have bought out some early investors to give them liquidity. Essentially, the company itself or new investors purchased those shares, letting the early folks cash out a portion. Not all startups can do this, but it’s an option if you hit steady growth without selling the company.
- **“Exit” to Growth Equity or Secondary Market:** In some cases, if you grow steadily, you might bring on a private equity or growth equity firm in later years, which often includes some secondary – meaning they buy some stock from existing shareholders (putting money in their pockets) in addition to investing in the company. There are also secondary market platforms nowadays where shares of private companies can be sold (for well-performing later-stage startups). For early-stage, this is less likely, but in mid-stage it can be a way for early angels/founders to get partial liquidity.

The important thing is to communicate to your investors what the long-term vision is for their investment. If you take angel money and tell them “I’m never selling this company or going public; we’re just going to run it and maybe pay dividends in 5 years,” that sets a certain expectation. Some investors might bow out (if they really want a quick flip), but others who like steady returns might be fine with it. On the flip side, if you claim you’re aiming for a massive IPO in 7 years, make sure that’s realistic – don’t just say it because it sounds good. Misaligned expectations can lead to friction. For instance, an investor expecting a 3-year exit will be upset if you later decide to turn down acquisition offers to keep growing for a decade. It’s better to be transparent and find investors who vibe with your plan.

Note: If you truly want to retain control and not answer to outside investors long-term, consider not raising equity at all. Perhaps use debt financing once you have revenue (there are revenue-based financing options, venture debt, etc.). Debt providers just want their interest paid, they don’t take equity or control. James hinted at using debt strategically: if you’re confident in your cash flows, debt can fuel growth without diluting you. But of course, debt comes with fixed obligations – it can sink you if used too early or if revenue is uncertain. It’s all about balance and risk tolerance.

8. The Mental Game: Grit, Failures, and Learning

Finally, let's talk about the entrepreneur's mindset. Fundraising is hard. Entrepreneurship is hard. We hear the success stories, but for every Instagram or Uber, there are thousands of startups that never make headlines. How do you survive and thrive in this journey?

JP was very frank: he's had more failures than successes. Out of 18 ventures, more than half didn't work out. He joked that his father still reminds him of a \$20,000 check he invested in one of the earliest startups that failed – even though years later he repaid it many times over after subsequent successes. The point is, you will have setbacks, and you must be resilient. He used a memorable phrase: “living nightmare.” At times, that's what it feels like to be an entrepreneur – maxed out credit cards, near zero in the bank, product bugs, customers saying no, investors ghosting you, etc. Yet, if you truly love what you're doing, you find a way to push through. This is why he said entrepreneurship is a calling, not a job. It takes a level of passion (maybe borderline obsession) to weather the storms and still wake up excited to solve problems.

One fascinating statistic: Contrary to the stereotype of the 20-something wunderkind, research shows the average age of a successful startup founder is around 45 years old. Experience, network, and domain knowledge do matter. James noted that the ventures he started in his 30s and 40s did far better than the one in his 20s – largely because by then he had learned from failures and built a stronger network to tap into. So, if you're younger and encountering your first failure, don't be disheartened – view it as valuable tuition for your eventual success. And if you're older and worry you missed the boat – nonsense! Your experience is an asset; investors may actually trust you more knowing you've “been around the block” in your industry.

Perhaps the most important trait in this game is adaptability. You might start off thinking your company will do X, but discover the market really wants Y. The ones who succeed pivot or adjust quickly. As famed entrepreneur Steve Blank says, “No business plan survives first contact with customers” – meaning you will have to iterate once real users give feedback. The faster you can learn and pivot, the better your odds. For example, maybe you planned to sell to enterprise clients, but you find small businesses adopt your product faster – consider refocusing there. Or you realize a feature you thought was core isn't used, but users hack your product to do something else – maybe that “something else” is the real value to build on.

James shared an extreme example: a friend's startup raised a lot of money but struggled, and the founder was actually fired by his own investors at one point. (Yes, it happens.) However, in a twist, the investors asked him back later when things got worse without him. He returned, turned the company around, and they eventually sold it for over \$100 million – a happy ending. But it could have easily gone the other way. The lessons here: perseverance (he didn't burn bridges and was willing to step back in when needed), and the unpredictability of startup journeys. You might be on the brink of failure, and one big customer deal or product breakthrough changes everything. Conversely, you might be flying high and then hit a wall. So never get too dejected in bad times or too overconfident in good times. Focus on continuous improvement, and build a support system around you (mentors, co-founders, advisors) to help navigate the lows and highs.

Take care of yourself and your team. Burnout is real. Family and personal life can suffer if you don't set some boundaries. James, for instance, mentioned he has five kids – and despite running multiple companies and traveling incessantly for investor meetings, he structures his schedule to have dedicated family time. That balance actually gives you stamina for the long run. A burned-out founder is of no use to anyone. So, pace yourself.

In summary, success in raising capital (and building a company) is as much about mindset and endurance as it is about tactics and numbers. Be prepared to hear “no” dozens of times. It's not personal – investors pass for all kinds of reasons that might have nothing to do with you. Learn from each rejection if you can (ask for feedback), refine your approach, and keep going. Celebrate small wins along the way to keep morale up. And remember, every great entrepreneur faces failure – what defines you is how you respond to it.

Conclusion

Raising capital is undoubtedly challenging, but by demystifying the process we can approach it with more confidence and realism. It boils down to a few key principles: build genuine relationships, demonstrate trust and competence, understand what your investors need, and execute relentlessly to prove your venture's potential. Along the way, stay humble and absorb advice, but also stay true to your vision – it's a balancing act.

For those currently on the fundraising trail: keep pushing. As difficult as it is, remember that every “no” gets you closer to the right “yes.” By applying the insights above, you'll improve your odds of not only getting funded but forging partnerships with investors who truly add value. And once you have those investors on board, continue to communicate and build trust with them – raising capital isn't a one-time transaction, it's the start of a long collaboration.

Finally, embrace the journey. Fundraising, like entrepreneurship, is full of ups and downs. One year you might be flying to Singapore and Dubai to meet investors, the next you're tightening budgets in a recession. Through it all, if you remain curious, resilient, and focused on solving a real problem, you will find supporters to join you. As the saying goes, fall down seven times, stand up eight. That resilience and adaptability will not only attract investment – it will be the core of your success in building a business that lasts.

Good luck, and happy fundraising!

Sources:

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Originally presented by JP James, Founder and Chairman, Hive Financial Systems & Hive Financial Assets. All insights reflect decades of company building, investing, and advising within the entrepreneurial ecosystem.