

# How to Find Funding Now

An Action Plan for Entrepreneurs



## Introduction

It takes money to make money. Entrepreneurs know this better than anyone, which is why they're always looking for funders who can help them achieve their business goals. But realistically, how much funding is out there for them?

According to our estimates, Canadian companies alone have access to more than 2,500 funding programs and products, representing at least \$24 billion in corporate funding from public and private sources. These figures include a full range of funding opportunities, such as grants, tax credits, loans, loan guarantees, and equity funding programs.

Although we can't currently estimate the total amount of funding available to American companies, the U.S. market is, of course, ten times larger than its Canadian counterpart, suggesting that funding opportunities could also be greater by an order of magnitude.

So there is funding available. The real challenge for entrepreneurs is finding and identifying the *right* opportunities without neglecting their core business. What they need is an effective process—supported by time-saving tools and experienced advisors.

This white paper presents a four-step action plan for busy, cash-strapped entrepreneurs who want to find and secure corporate funding in the most efficient way possible.

**“An entrepreneur without funding is  
a musician without an instrument.”**

– Robert Rice Jr.  
Serial Entrepreneur

## Be Smart About Funding—Expect ROI

There's no such thing as "free" money. As with any other business activity, the effort required to find and secure corporate funding inevitably incurs cost.

Consequently, entrepreneurs should always view their funding options through a *cost-benefit* lens. Some funding opportunities are simply not worth applying for because the internal and external costs outweigh the benefits.

Labor usually accounts for the lion's share of internal costs. This is how much the company pays employees to find and secure funding opportunities, and then perform ongoing administrative (reporting) tasks required by the funder. External costs can be a mixture of consulting fees, application fees, and interest charges (on loans).

Entrepreneurs who stay focused on the bottom line throughout the funding process are more likely to make good decisions and achieve a reasonable rate of return on the time and money they invest.

## Find Funding in 4 Steps

To find and secure corporate funding for their growing companies, entrepreneurs need to follow these four steps:

1. Identify potential funding opportunities
2. Validate the funding opportunities
3. Apply for each funding opportunity
4. Verify each funding application

Note: An entrepreneur supported by a team of employees and (when needed) external experts is much more likely to meet the demands of each step in the process and secure appropriate funding.

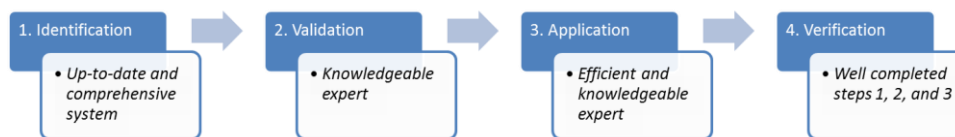


Figure 1: The four-step process for finding funding.

## Step 1: Identify Potential Funding Opportunities

Entrepreneurs begin the funding process by identifying and prioritizing a list of funding opportunities for which their company seems to qualify. At first glance, this might seem like a fairly straightforward task, but the actual process of seeking out and screening opportunities one-by-one can be quite arduous.

First of all, where should an entrepreneur even look for funding opportunities? The most obvious answer is internet search engines. Other options include friends and colleagues, banks, business accelerators and associations, CD-ROM directories (i.e., purchased lists of opportunities), and funding advisors.

Next concern: how can entrepreneurs efficiently filter out *irrelevant* funding opportunities? To do this, they need to review their company profile and use it to derive some primary screening criteria, such as:

- Business Location
- Year of incorporation
- Industry
- Number of full-time employees
- Revenues in the last year

Primary criteria are company-specific details that seldom, if ever, change. Entrepreneurs should also define secondary criteria, or information about the specific projects, departments, or activities for which the company needs funding, such as:

- Exporting
- Equipment purchasing/leasing
- Product or process development/modification
- Collaborative development
- Areas of operation
- Hiring of interns, contractors, or full-time employees
- Training of employees

Of course, eyeballing each potential funding opportunity against a long checklist of these criteria is a daunting task, to say the least. Many entrepreneurs find the process overwhelming and simply give up out of frustration.

Indeed, the identification step has *traditionally* been the most challenging for several reasons:

- **Limited visibility**  
Searching for opportunities one at a time, entrepreneurs never get to see the whole funding picture, with all of their options laid out in front of them. Consequently, they're more likely to pursue mediocre opportunities that may do more harm than good.
- **Time/labor intensity**  
Searching for and identifying opportunities is very time-consuming. Fundica estimates that, unaided, a typical entrepreneur will spend up to 20 hours on identification and validation *for each and every funding opportunity*. This can easily add up to months of labor, resulting in a very modest financial return or, more likely, a loss on the invested effort.
- **Open-ended commitment**  
Since companies can never have enough funding, entrepreneurs are reluctant to stop looking for opportunities. They never know what might pop up in the next keyword search.
- **Changing environment**  
The funding landscape is in a continuous state of flux, with new opportunities regularly emerging and old ones changing or disappearing altogether. For entrepreneurs, finding and securing the right funding opportunity can be like trying to hit a moving target.

This is how it used to be, and still is, for people who try to go it alone.

Fortunately, Fundica offers entrepreneurs an alternative, transforming the identification step from a grueling months-long ordeal into a task that can be completed in *minutes*.

### Identification Costs

Using Fundica's free online service, entrepreneurs' costs are limited to the time required for rapid funding searches on [fundica.com](https://www.fundica.com). Without Fundica, entrepreneurs incur significant costs which may include advisors' fees, purchased lists of funding opportunities, and months of (internal) labor charges—plus the huge opportunity cost.

## Step 2: Validate the Funding Opportunities

After identifying a number of funding opportunities for which the company seems eligible, an entrepreneur must determine which ones, if any, are worth pursuing. This is the *validation* step.

Entrepreneurs often find it convenient to kick off this step by confirming eligibility (starting with the highest priority opportunity). Does the company really qualify for the opportunity? Does it meet all of the stipulated requirements? Is there anything buried in the funder's fine print that might exclude an application?

Eligibility is, of course, a pivotal go/no-go criterion but it's by no means the deciding factor during validation.

In fact, regardless of eligibility, **an entrepreneur should always discard a funding opportunity if research indicates that:**

- The potential net benefit is too small (i.e., it's not worth the effort).
- The risk is too high (e.g., too much competition).
- The funder currently has no money to disperse.
- A similar opportunity offers better ROI (e.g., funding 75% of a technology grad's salary versus just 25%).
- The opportunity renders the company ineligible for other, more beneficial funding opportunities.

While it is possible to validate each funding opportunity in-house, many entrepreneurs find it prudent to seek expert advice—a sanity check—from someone with recent, firsthand experience, such as another entrepreneur, a mentor at a business organization, and/or a professional funding advisor.

### Validation Costs

The cost of validating funding opportunities is typically a blend of (internal) labor and a consulting fee. Since an experienced funding advisor can usually validate a list of opportunities in an hour or two, entrepreneurs often choose this option over a dedicated in-house validation effort (i.e., reinventing the wheel).

## Step 3: Apply for Each Funding Opportunity

An entrepreneur should prepare and submit an application for every funding opportunity that's been identified and validated, starting with the first one in priority sequence.

Companies generally apply for funding of future expenditures, but in some instances—most notably certain tax credits—they might submit an application after the fact.

For smaller funding amounts, the application process can be as simple as filling in a one-page form. For larger opportunities, funders typically request more detailed information supported by documents such as financial forecasts, technical reports, and a business plan. When a lot of money is at stake, entrepreneurs often retain professional funding advisors to help prepare the complex, highly specialized applications demanded by funders.

Regardless of how long or complex an application might be, the entrepreneur must ensure that the funding team communicates all requested information as clearly and honestly as possible, to minimize the amount of time spent on follow-up during verification and maximize the likelihood of getting funds.

### Application Costs

Costs vary with the length and complexity of an application. Some funders demand an application fee.

Fundica estimates that, unaided, a funding team will spend 2–50 hours applying for each simple grant or tax credit, and up to hundreds of hours on complex grant, tax credit, loan, or equity applications. This obviously represents a significant expenditure for the company.

Therefore, an entrepreneur should try to maximize value by striking a balance between (internal) hourly labor and (external) funding advisors, who may charge an hourly rate, a fixed fee, a retainer amount, a success fee, or a combination of these approaches.

## Step 4: Verify Each Funding Application

The final step of the funding process, when a funder verifies an application, generally requires little effort from the entrepreneur and funding team—assuming they have submitted a clear, complete, honest application.

While verifying an application, some funders have virtually no contact with the entrepreneur, while others might ask follow-up questions, request additional documents, or schedule a visit to the company's office or facility. After a funder approves an application, the entrepreneur often has to fill in additional paperwork to finalize the funding transaction.

Of course, verification can become much more complicated if a funder discovers inconsistencies, omissions, or apparent fabrications in an application. The entrepreneur/funding team could be drawn into more time-consuming discussions, legal disputes, or extensive audits (e.g., related to tax credit claims).

The best way for an entrepreneur to ensure smooth verification is to identify and validate appropriate funding opportunities, then submit complete, forthright applications.

### Verification Costs

Verification costs are typically limited to the time that an entrepreneur/funding team spend satisfying funders' requests for additional information. If the company must undergo detailed reviews or financial audits, the entrepreneur might have to engage (external) accountants, lawyers, or business consultants.



## Conclusion

It's easy to get lost in a maze of funding decisions, so entrepreneurs need to take a disciplined, cost-benefit approach to finding funding. This means diligently pursuing high-ROI opportunities and remorselessly leaving everything else on the table. (See Appendix A for a cost-benefit sample calculation.)

Instead of spending months struggling to find and filter opportunities, entrepreneurs should use Fundica's free online service to rapidly identify the best funding options and immediately move ahead with validation.

Entrepreneurs who choose to validate opportunities in-house should still get a reality check from a third-party expert who has relevant knowledge and experience. This can save a lot of time, money, and headaches down the road.

Finally, to unlock each high-value funding opportunity, entrepreneurs must ensure that their funding teams put together clear, accurate, and complete applications.

## How Fundica Can Help

Every day, Fundica saves North American companies *years* worth of time that they'd otherwise spend finding and filtering funding opportunities.

Using Fundica's free online service, busy entrepreneurs can generate lists of relevant grants, tax credits, loans, and equity funding programs in mere minutes, allowing them to take care of business *and* take care of their business.

Fundica is *100% free* and *sign-up takes 30 seconds*. It's quite simply the best way to find corporate funding in North America.

Try it, you'll see.

Find funding now at [www.fundica.com](http://www.fundica.com).

Or, to learn about Fundica's comprehensive funding advisory services, please contact Mike Lee, Eng., MBA, CFA, at **1-855-Fundica**.

## Appendix A: Cost-Benefit Sample Calculation

### Scenario

An entrepreneur finds an attractive funding opportunity but needs to calculate the expected ROI.

### Benefit

Funding opportunity amount (Grant): \$10,000

Success probability: 70%

### Cost

Identification: \$100 labor (using Fundica's free online service)

Validation: \$300 funding advisor's fee

Application: \$500 labor

Verification: \$100 labor

Total cost: \$1,000

Note: Labor costs can be estimated from the *Hourly Cost Quick Reference* table in Appendix B.

### Return on Investment

#### Risk-adjusted profit: \$6000

Grant \* Success probability - Total cost = \$6,000

#### Risk-adjusted ROI: 600%

Risk-adjusted profit / Total cost \* 100% = 600%

## Appendix B: Labor Cost Calculator

Table 1: Hourly Cost Quick Reference

		Time (hours)								
\$/hour		5	10	15	20	50	100	150	200	250
	25	\$ 125	\$ 250	\$ 375	\$ 500	\$ 1,250	\$ 2,500	\$ 3,750	\$ 5,000	\$ 6,250
	50	\$ 250	\$ 500	\$ 750	\$ 1,000	\$ 2,500	\$ 5,000	\$ 7,500	\$ 10,000	\$ 12,500
	75	\$ 375	\$ 750	\$ 1,125	\$ 1,500	\$ 3,750	\$ 7,500	\$ 11,250	\$ 15,000	\$ 18,750
	100	\$ 500	\$ 1,000	\$ 1,500	\$ 2,000	\$ 5,000	\$ 10,000	\$ 15,000	\$ 20,000	\$ 25,000
	125	\$ 625	\$ 1,250	\$ 1,875	\$ 2,500	\$ 6,250	\$ 12,500	\$ 18,750	\$ 25,000	\$ 31,250
	150	\$ 750	\$ 1,500	\$ 2,250	\$ 3,000	\$ 7,500	\$ 15,000	\$ 22,500	\$ 30,000	\$ 37,500
	175	\$ 875	\$ 1,750	\$ 2,625	\$ 3,500	\$ 8,750	\$ 17,500	\$ 26,250	\$ 35,000	\$ 43,750
	200	\$ 1,000	\$ 2,000	\$ 3,000	\$ 4,000	\$ 10,000	\$ 20,000	\$ 30,000	\$ 40,000	\$ 50,000
	225	\$ 1,125	\$ 2,250	\$ 3,375	\$ 4,500	\$ 11,250	\$ 22,500	\$ 33,750	\$ 45,000	\$ 56,250
250	\$ 1,250	\$ 2,500	\$ 3,750	\$ 5,000	\$ 12,500	\$ 25,000	\$ 37,500	\$ 50,000	\$ 62,500	

