The Life Science Executive’s Fundraising Manifesto

Best Practices for Identifying Capital in the Biotech and Medtech Arenas

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CHAPTER 12

Anatomy of an Allocation Process

Every allocation process is different, but they all generally follow a similar timeline and involve people functioning in the same roles. In order to map out this process, I created a graphic that lays out the path toward allocation (see Figure 12.1). Hopefully this will help you get your bearings in any deal in which you are involved and identify in which stage of the process you are and for what next step you need to prepare. Additionally, as you begin to reach out and speak with potential investors, it can be helpful to understand the role of those with whom you are dialoguing.

To help you map out the individuals taking part in the allocation process, I refer to six different roles: information gatherers, gatekeepers, evaluators, navigators, recommenders, and decision makers. Keep in mind that these roles aren’t always filled by different individuals. Sometimes one person can embody all of them, or sometimes a group of people serve the function of one or more of them. In whatever form they take, it will help you immensely to try and identify what “character” or combination of characters you are encountering at each step of the process.

In previous chapters, we’ve talked about finding potential investors so you can begin to build relationships that eventually lead to investment. The life
The life science arena is full of potential investors: Life Science Nation (LSN) has identified 10 categories of life science investors and about 5,000 institutional organizations, private firms, and nonprofits that allocate to the life sciences. Your job is to ferret out targets based on your firm’s investor profile, evaluate their viability as investors for you, and then get them on or off your plate as fast as possible. A good target is one that has a chance of being a fit.

To review, a fit is when a prospect has a real need for your company’s products or service, has decided on a specific investment strategy, and has a mandate to make the allocation. If a target passes this initial qualification test, it becomes a prospect. It becomes a *hot* prospect when the allocation time frame is relevant to your current fundraising goals.

Keep in mind that the typical allocation time frame is 9 to 12 months or more. This gives an investor time to extensively research the management team and watch how a company works for two or three quarters...
before investing. Like you, the fundraising executive, the investor also has to find a fit for his or her mandate, validate the fit, vet the technology, find and vet your competitors, establish a working relationship with you, observe how you and your management team interact both internally as a firm and externally as an investment prospect, perform due diligence, and conduct all the other time-consuming business required to make an allocation. This cannot take place overnight, and it must begin with identifying a fit.

**Identification**

The first stage of the allocation process is what I call the “identification stage.” It’s the phase when you make contact with a target investor, they express an interest, and you officially identify them as a prospect. This is when you have a meeting or two and a dialogue begins. When you have a prospect, you are in the game and playing for money, although at this stage, your chances of turning a prospect into an investor are only 10%. You are at the beginning of the pipeline, or “the pipe,” as I like to call it.

The pipe is a way to measure the progress of allocation processes. It’s the antidote to fruitless meetings and a strategy of hoping and wishing. If your company doesn’t have a way to classify the status of your prospects, do whatever it takes to implement a system that can be used by everyone in your company who is participating in the fundraising process and ensure they adhere to it. Get yourself and the executives in the same room. Start a dialogue. Outline what it takes to get an allocation. Have the team and the powers that be sign on and agree that this will be the new process of raising cash.

When you’re in the identification stage, you’re likely talking or meeting with the “information gatherers” or the “gatekeepers.” These two groups are part of the investor landscape, and after talking with these people you’ll get a sense of whether you are a fit for a potential investment. However, you don’t want to put a potential investor in the firm’s pipeline until you have met with the “navigators” and “decision makers” (later in the process) and feel positive about the fit. It’s imperative to begin outreach with many prospects all the time; don’t forget that this is a numbers game.
The Information Gatherers

Usually, the information gatherers are folks who are good at ferreting out information and understanding a firm’s products and services. They don’t necessarily know all the specifics, such as why they have been assigned a task, what the information they uncover will be used for, or when that information will be used. They may not be able to answer in-depth questions regarding specific details of the investment mandate, because they often have a limited scope of the company. All they know is that they’ve been asked to use their analytical brains to gather and collect information on certain types of firms and their technologies.

Sometimes life science fundraising executives think of a meeting with an information gatherer as more important or pivotal than it is. Recognize this kind of meeting as a simple informational transaction—that’s what it is. Provide the information in as nice a package as you can, and then go on your merry way. Investors do not automatically become hot prospects when you hand them some information. Remember that winning an allocation is a long process, and you’ve just taken the first step on that road.

Having said that, you can’t take anything for granted. In your initial meeting or conversation, you must probe to make sure the information gatherer really is in a low-level position and not more powerful than that. I remember a conversation I once had with an information gatherer when I was an executive at a software technology company. I asked him what he was looking to do.

“Who, me? I’m just collecting some data on some stuff we’re looking at.”

“What stuff?” I asked.

“Oh, I’m trying to understand what companies are doing in this area and the products they have. Then I’ll pass the info along to some folks in the company.”

“What for?”

“We’re trying to make some decisions, I guess.”

“Well, who are you and what do you do?”

“Who, me? Oh! I’m the CTO of IBM’s Life Sciences Group.”

Bingo!
Keep in mind that the answer could have been that he was a student doing an internship. In fact, most information gatherers are not key players. A CEO asks the SVP to identify the top ten vendors that market a specific product. The SVP delegates the task to the VP, who gives it to a department manager, who assigns it to an associate, who passes it on to an assistant, who gives it to the intern. That’s a common pathway in a typical corporate structure.

However, sometimes CEOs and other top-level executives are in a hurry and don’t want to wait around for the information. They may decide that they can do a Google search as quickly as the next guy and line up a couple of meetings. So always find out who you are speaking with and why. You never know at which stage you will meet the right person!

**Open Sesame—the Gatekeepers**

The gatekeepers keep you out or let you in. Most accomplish this task by ensuring that all inquiries for investment lead to them. They tell the receptionists, administrators, and everyone else in their company to “send them unto me.”

Let’s say you are calling an executive level player, and you get through—you get the managing partner on the line. They might refer you down the ladder to somebody, or days later, someone else might call you back. This person is usually the gatekeeper. Maybe the investor is looking for an emerging therapeutics company and is not interested in medical devices. In this case the gatekeeper would be tasked with only allowing the emerging therapeutics companies to initiate a dialogue.

The gatekeeper is probably the first stop for your emails, phone calls, and slide deck. This person is in the know regarding exactly what relationships the company is interested in; part of the gatekeeper’s job description is to bring opportunities into the firm and turn away nuisances. For the most part, gatekeepers are easy to find, as they tend to be in the “front of the house” or within arm’s reach of the executive suite. They usually are knowledgeable about the firm. They will likely usher you in if you have something that makes sense, but they do not suffer fools gladly.
The gatekeepers are incredibly busy folks who are besieged by life science fundraising executives, so it’s hard to get their attention. In the life science investment arena, there are about 15,000 start-ups trying to catch the interest of approximately 5,000 investors. As a result, gatekeepers are inundated with hundreds of emails, phone calls, and slide decks in a typical week. That’s a lot of day-to-day noise. To stand out, your best bet is to send the gatekeepers some crisp, timely information that you know they need. Of course, to know what they need, you have to do your homework. These are binary folks. They are more impressed with solid, concise bottom-line rationales than glad-handing and aggressive salesmanship (although it never hurts to be friendly and personable in your delivery).

The gatekeepers are not going to give you a lot of opportunities to get past them. Your first attempt must be well thought-out and well planned, and you must be organized. Before you contact them, for example, have an email package ready to send as soon as you get off the phone. Before you meet with them, make sure you know everything about your company and theirs. If you don’t, bring someone with you who does. If you tell a gatekeeper that you want to bring one of your colleagues along to talk to him or her personally, he or she might volunteer to invite some other folks in his or her firm as well—or not. If not, then you know this gatekeeper has clout.

No matter what, it is imperative to get a meeting scheduled with these people. Utilize the gatekeeper to map the firm’s players and learn about the company’s process. Of course, you should create your own map first.

**Mapping a Company**

There are various ways to map firms that make life science investments (see Figure 12.2). At one extreme are the life science fundraising executives who approach the task as if it were a reconnaissance mission. They gather all the information they can find and comb through it before the big meeting. They conduct an exhaustive analysis of the prospect and its peers (other possible leads), as well as the industry. At the other extreme are those who do just enough research to have a good idea of the
prospect’s specific investment category and gather the rest through real-time, face-to-face dialogue.

There are many pros and cons to these two methods, and either one or a combination thereof will probably fit you. One advantage to the deep-dive investigative approach is that prospects perceive you as well informed, credible, and perceptive. This evokes respect and trust, which help you forge solid relationships. However, I’ve seen life science fundraising executives who spend way too much time researching and not nearly enough on the phone or on the road. And when they finally do talk with a prospect, they are so focused on verifying their data that they don’t really hear what the prospect is saying.

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<tr>
<th>Platform</th>
<th>Personnel/Information to Search For</th>
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<tbody>
<tr>
<td>Company Website</td>
<td>Management team, board of directors, press releases, portfolio announcements</td>
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| Google, Yahoo!, Bing   | CEO, management team, portfolio information  
*Hint: Search for “company name + last year’s date (e.g., 2013)” and another search for “company name + this year’s date (e.g., 2014)”*                                                                                      |
| LinkedIn               | Bios of CEO and management team, 1st-degree and 2nd-degree connections with folks inside the company, groups that the team members have joined, recent visits                                                                                   |
| CrunchBase             | Management team, portfolio companies, and a gauge of the company’s investment activity                                                                                                                                               |
| ZoomInfo               | Direct phone number and email address                                                                                                                                                                                               |
| Popular News Sites     | Context regarding the firm’s current and future plans and a gauge of public opinion  
(e.g., Fierce Biotech)                                                                                                                                                     |
| Conferences            | Speakers, attendees, and partnering opportunities                                                                                                                                                                                      |
| LSN Company & Investor Databases | Allocation information, sectors and subsectors of interest, company and management team preferences, message from the investor                                                                                                           |

**Figure 12.2: Information to uncover and some suggested resources to use when mapping a company**
Now, don’t get me wrong. You must verify your data. Some life science fundraising executives simply assume that the information they gathered up front is correct. They don’t confirm it, and they pay the price later on. There are also those who believe themselves to be faster on their feet than they really are, and they mistake “less prep” for “no prep,” leading to disastrous results. It’s hard to gauge how much up-front time you should spend on research, but successful life science fundraising executives find a happy middle ground between these two extremes.

Regardless of the approach you take, it is vital that you listen holistically when meeting with prospects. You must draw people out, read between the lines, verify what you hear, connect the dots, and ask and answer questions. An honest, real-time dialogue fosters respect and trust and lays the foundation of a good relationship. It also makes the most of the time you will be spending in contact with prospects.

**First Impressions**

So you are meeting the information gatherer or gatekeeper and starting a dialogue. This is a critical point. During the first few meetings, prospects form an impression of you and your company that sticks with them and becomes their long-term view. Avoid getting too aggressive when you are in sales mode. During a meeting, you should confirm your map of the company, verify that there is a mandate and timeline, establish an outline of the allocation process, discover a few pain points, find out if they’re talking to your competitors, and zero in on who will be the ultimate navigator of the process. This is your opportunity to draw the prospect out, open up a dialogue, and have an honest exchange of information, and it is the time when everyone gets comfortable.

Your mind-set when it comes to your approach can be critical in fostering positive first impressions. Every time you call on a prospect—whether it’s an information gatherer, gatekeeper, or even a decision maker—think of your goal as to get to know a new person, not secure an allocation. Imagine that you are meeting a new friend who is interested in your work.

When I go into meetings, I want prospects to form the impression that my team and I are professional, prepared, and know what we’re doing. At
the end, I want prospects to thank me for an informative meeting and hear the words “we look forward to working with you.” I also want to be able to say the same thing in return.

*It’s Only the Beginning*

During the identification stage, the puzzle pieces of the deal start to fit together, a relationship forms, and the allocation process seems to be off to a great start. Unfortunately, this is also where many life science fundraising executives are led astray by seeing an allocation where there really isn’t or shouldn’t be one.

Let’s face it: life science fundraising executives feel pressure to put something on their forecast. Because they are anxious to turn a target into a prospect, they often begin to see things that aren’t there, try to force a fit, or use every skill they have to push along a relationship that they shouldn’t. Don’t fall into this trap!

Listen to your gut. Think back to an allocation process that came together as it should have. Remember the circumstances that gave you confidence, and the moment you knew you could honestly say to yourself, “They will be an investor. They just don’t know it yet.” Then stay in the real world. Opportunities can change direction, be postponed, stumble and fall off a cliff, and flat-out die. They are very tricky creatures. They prey upon your optimistic nature. They get you in a fix.

That is why it’s imperative to concentrate on the prospects who are a fit and move on from investors who aren’t, pronto! It is also the reason to set everyone’s expectations at the outset of the process. Let those in your company know that a potential client is ready for the forecast list only when you’ve made it halfway through the allocation process with them. A forecast list is composed of investors you have qualified who have also qualified your firm and who may give you money.

*Movin’ Down the Pipe—In Play*

After initially qualifying a prospect, the next step is to develop a relationship. You must recognize that this takes time, so don’t rush, overwhelm, or hassle the prospect, no matter how much pressure to fundraise is being
exerted on you internally or externally. The allocation process takes time; in fact, the timeline is longer than it used to be. The process spans, at a minimum, 9 to 12 months and can easily get stretched out further. That is why it’s important to have many irons in the fire. You’ll make very little progress if all you do is worry about and bother a few prospects. You must cast a wide net and then learn to relax, give your prospects some time, and avoid overwhelming them with your overzealous desire to get an allocation.

Don’t smother or tick off a prospect because you have ants in your pants. Take the time to develop relationships with the right folks. The right individuals to contact at this stage are the “evaluators,” the “navigators,” and the “recommenders.”

**The Evaluators**

When the evaluators enter the picture, the game is afoot! The evaluators are the people who roll up their sleeves and look closely at your firm over the long term. This means they listen to your pitch, meet your company’s founders and executive team, and then monitor your firm’s progress from quarter to quarter. To stay on their radar screens, you have to come up with ways of communicating that are nonintrusive but allow you to maintain a relationship. It might be via white papers, emails, newsletters, or conference calls, but you must find some way to keep them abreast of your company’s ongoing progress.

The evaluators also watch to see how your firm’s executives react when they meet or beat their predictions and how they act when they miss. This behavior is at the forefront of investors’ minds today, because it lets them know how your business functions in coping with the ups and downs of the real world. The new modus operandi of investors is to watch and wait, validate performance and milestone achievement, and get to know the executive team. “Relationships” and “transparency” are the new buzz words. You and your firm need to be ready with cogent answers and commentary through the good times and bad so prospects can see what kind of long-term relationship they might be entering into.
It is easy to make a good impression on evaluators and just as easy to foul up a relationship with them. I have seen countless life science fundraising executives make the mistake of delegating the due diligence process to somebody else within their firm, instead of being present at all meetings. However, strange things can happen. What you thought would be a slam-dunk evaluation can turn into a full-blown firestorm over the most inane and innocuous details. A run-of-the-mill meeting can suddenly be dominated by people who love to one-up each other by showing how smart or knowledgeable they are regarding a technology or the current and future state of the market.

You must be ever vigilant during this process and leave absolutely nothing to chance. If the sparks start to fly, you have to be there to put out the fire and calm the group. The best way to start a meeting is to go over the agenda for it, making sure everyone is on the same page and knows why they are there. Then set the stage by providing the context for the product and market. Keep it simple.

Part of your agenda should be to present your firm and highlight the synergies between it and the investor’s mandate. Be wary of allowing folks to take each other down rat holes. It happens all the time: two people go off topic and head straight into never-never land. You must always keep the group focused and avoid getting involved in the chase.

As you explain your firm’s strategy, your understanding of the investor’s mandate, and how you may fulfill their requirements, you should be getting some sort of positive feedback from your audience. They may be smiling, voicing their agreement, or simply nodding—all good signs. If there’s disagreement, smirks, or scowls—or worse, no reaction whatsoever—you are in trouble. Take action fast.

Start with some open questions, such as “Mr. Evaluator, are we showing you what you want to see? Did you expect something else? Did we misunderstand what you are looking for or what your needs are? I’m sensing a potential disconnect here. Are we disconnecting?”

Such direct, open questions should elicit some feedback. Then you can adjust or regroup. Never let a meeting deteriorate without trying to understand why: “Mr. Evaluator, I feel we are heading south here. Please tell me why.”
One all-too-common occurrence after company and technology presentations is the shoulda-woulda-coulda phenomenon. Your team is in the car, in the restaurant, or back at the office after an investor presentation. One by one, the members start to dissect the meeting and the reaction of the participants: “Do you think the investor understood our new product and technology?” “Do you think he doubted our time to market numbers?” “Do we know when and how the firm is planning to make the allocation?”

These are all good questions THAT SHOULD HAVE BEEN ASKED DURING THE MEETING.

Do not waste a meeting with an investor prospect. If you have thoughts, questions, observations, or insights, speak up! The meeting is the time for that, while you’re all together. Get it all out on the table. Point out any issues you perceive on their side or yours and get them resolved. Otherwise you will be forced to go into catch-up mode: asking for another meeting so you can address some open issues or tracking down the participants individually to clear things up. This is frustrating and time consuming, and though sometimes it will be necessary, it can usually be avoided.

Don’t forget that in-person meetings are vital. No one is going to make an investment in a firm without evaluating the science and the team. Unfortunately there is a lot of misinformation circulating from so-called experts who either haven’t raised money in a long time or have never raised money before. This has led some life science fundraising executives to believe that they can get around the long due diligence process. They believe that meeting after meeting slows down the process and that allocations could be made much more quickly if that step was eliminated.

However, ongoing meetings are probably the most important part of the allocation process. They provide the investor with a hands-on look at your firm’s technology and an understanding of the management team.

**The Navigators**

At some point, as an allocation process progresses through the pipe, the navigator surfaces. The navigator usually appears during the in-play stage, and the person filling this role has the most at stake. This individual’s success is riding on the outcome of the allocation process—whether that allocation is given to you or your competitor.
The navigator will usually come to you and has knowledge of how to guide you through his or her world, which is the particular investor firm with whom he or she works. The navigator may be in the room with the evaluators and might even be an evaluator. Or he or she may surface in some other way. If the navigator doesn’t surface, you must find someone with whom you are interacting that can function in this role for you. You need someone who can be a behind-the-scenes ally.

The navigator is your go-to guy or gal, your sponsor, your new best friend, and the person you need to convince. Correctly identifying the navigator is imperative. It is also tricky, as many people you meet along the way will lead you to believe that they are the navigator. But actions speak louder than words, and you have to figure out who the real navigator is—the one who’s going to guide you through to the end. This is one of the reasons why I mentioned earlier that you should always verify with whom you’re speaking. Miss the navigator and you may miss your allocation.

The Due Diligence Process

It is rare for investors to choose a life science firm in a vacuum. Rather, they conduct a search, winnow their options down to a short list, and then begin the due diligence process. Though technically due diligence starts with the first meeting, investors generally don’t spend the time and resources required for it unless they are seriously considering investing in a firm. Therefore, the formalized aspect of due diligence is usually conducted toward the end of the allocation process and comprises many aspects of the final vetting of the team, company, and product.

Investors today approach the due diligence process with more seriousness than they did in the past, and the group of new investors on the scene is equipped with a series of best practices. Family offices and other small investors are now adopting the due diligence practices of large investors, such as private equity funds and VCs. And large investors are reevaluating their processes to ensure they are rigorous enough, often adding new procedures, such as background checks on management personnel.

This focus on research is the main reason that the due diligence process takes longer than it once did. Combine this with the fact that investors want to monitor the clinical path closely, develop a relationship with the execu-
tive team, and get to know the CEO, and it’s no wonder that what used to take as few as 6 months may now require as many as 12 or more.

So what does the due diligence process entail? Any good investor will explain how he or she will go about doing due diligence on you, your firm, and your product. Throughout the allocation process you will want to keep your attorney apprised of events so he or she can guide the process and make sure that you are on the right side of any issues that may arise. There’s no doubt that due diligence is a laborious process, but it is a must. Throughout this book, we have talked about putting your best foot forward. Think of the due diligence process as another opportunity to do just that.

Most investors will make multiple visits to your firm. So be prepared, should an investor request multiple meetings. Often they will ask for a meeting that focuses on the “going forward process”; they will use this to get on the same page with you regarding timelines and directions of the product investment. The investors want to make sure that all your in-house and outsourced resources can support their idea of how to move the product forward. They’ll want check that the overall operations pass muster. The best thing you can do during on-site visits is be as open and accommodating as possible with potential investors. These meetings are the first steps toward building trust.

No matter how thorough the on-site visits are, you should anticipate follow-up questions. In fact, it is highly likely that you will receive a request for some bit of information that you do not have at your fingertips. Your best bet is to find it, and find it fast. Sometimes such requests are being made as tests. Investors often want to see how organized you are and how quickly you can react. If you want to stay in the race, get on it.

After all your information is in the hands of a potential investor, there is not much else to do, which is why we have a saying at LSN that “companies are bought rather than sold.” Ultimately, investors are trying to position your firm and others within their portfolios. They have constructed those portfolios based on their own particular outlook and set of assumptions, and they have certain expectations of how their investments should perform in various market conditions. So after all the questions are asked and answered, investors will sit down and evaluate how your firm fits within the specific scenarios they have in mind.
Some life science fundraising executives have the misconception that investors “shop” for firms to invest in, but nothing could be further from the truth. Most investors understand that life science companies are complex and nuanced and dependent upon experimental science. Trying to compare them is like trying to compare apples to oranges. Investors create mandates for their investments and then carry out the mandates as best as they can.

**The Midpoint**

When your allocation process reaches the middle of the in-play stage, you have something that is alive and kicking. Another way of looking at it is that the allocation is “yours to lose.” At this stage, you are fully engaged and are halfway down the path toward getting an allocation. The discussions and information exchanges are in full swing. The relationship and dialogue are good. You’ve teamed up with the right people. It is truly a great feeling when your phone is ringing with questions and your calls are being returned.

**The Value Propositions**

As a life science fundraising executive, you are continually conveying the value proposition of your firm. But as you head into the midway point of the allocation process, you need to be absolutely sure that the potential investor understands your value propositions and maybe even has brought some of his or her own to your attention. When a prospect sees the value in your company, wants your product, and knows why it’s a good thing, you will be well on your way to winning an allocation.

It is precisely at this point that you must avoid falling all over yourself trying to get the allocation locked in. You must make sure that the prospect truly understands the value in your company and that he or she is convinced your firm is a fit. If you try to close an allocation when the value propositions are not fully understood, you decrease your chances of success. Don’t assume a potential investor truly understands the value simply because he or she says so. Verify it by saying, “So, Mr. Prospect,
seems that you see the value of my firm and that it is a fit for you. Please take a moment and explain to me what you’ve learned and why it works for you and your current mandate. It would help me to hear it from your perspective.”

You will likely get one of three responses:

- The prospect may echo the value propositions you have conveyed. If this happens, bravo! You’ve done well.

- The prospect may cite one or more value propositions that you’ve never heard before. This is also good. The fact is that it does not matter what you think the value propositions are. Your prospect knows what they are for him or her, so listen closely. He or she is giving you a gift: new value propositions that you can use to pitch other prospects.

- The prospect may be unable to articulate any value propositions. In this case, either he or she doesn’t really understand what the value propositions are or you missed something along the way. This indicates that you must go back to square one. Start the marketing process over, right from the get-go. Take the prospect on the journey that you thought got you to fifty-fifty. Pull up a chair, cancel all your calls, get some coffee, and begin: “So, we started talking to you folks about three months ago . . .”

At this point in the allocation process, most investors have a short list of firms they have vetted and will next home in on the managers to determine who is most competent and offers the most favorable opportunity for making returns on their investment. Usually this means that the recommender or decision maker is courting a few managers. Remember that talking to an investment executive and being told that you may receive the allocation isn’t the final step in the process. The allocation isn’t even officially yours when the decision maker or one of the executive players says directly, “Joe, you and your firm have been chosen for an allocation.” However, this is known as a “verbal,” and receiving it means that you are actually close to sealing the deal.
A verbal is a milestone in the allocation process, but it is not a signed document; at this point it is important to remember that you do not have a check cashed and money in your bank account. A verbal is great, but it also means you need to be really attentive in order to move forward and receive a signed contract. I have received many verbals in my business development life that did not culminate for one reason or another in an allocation; that is part of the reality of making deals. Remember that they are never done until they are done!

The Recommenders

The recommenders are pivotal to the process—their opinions and recommendations really count. They generally stay behind the scenes until after a firm has moved from the in-play stage to the in-process one. Recommenders base their referral on the information gathered by the information gatherers, gatekeepers, and evaluators, and they are the ones who consolidate all of it into a solid, concise package to send on to the decision maker.

If you impress the recommender, you have a good shot at winning the allocation. When you meet with him or her, you will start talking more seriously and specifically about time to market and market size. The recommender will narrow his or her choices down to a handful of firms, and you can safely assume that all your competitors will still be in the running. Whoever has the most impressive fundraising executive, management team, and products and service will be recommended to the decision maker.

To be successful, you must work on developing good relationships with all the people involved in the investment process: those within your own company and those at the investor’s. But you must especially make an effort with the recommender. The better the relationship, the easier it is to stay up to date on any new issues that crop up (and they will—wrinkles never stop presenting themselves in this process) and figure out how to address them.

Always keep in mind this simple fact: an allocation process starts out with a particular mandate, which is defined by a set of requirements. You
have to understand the mandate requirements and keep your eye on what is happening during the evaluation process. The fundraising executive who stays on top of each subtle change of events that can affect the process usually wins because he or she is current and in context.

**Timing Is Everything**

Timing can be a blessing or a curse in every allocation process. The status of allocations often changes on a quarterly basis. Sometimes the process rolls over into the next quarter, and sometimes mandates dictate that it is completed. Often, the sense of timing and urgency depends on the people involved. A decision maker may want to complete an allocation process quickly, but the navigator or the recommender he or she has assigned to it may be overloaded and may not have the bandwidth to accomplish this.

Once you have received a verbal that your firm has been selected for the allocation, then you must wait for the agreement to show up, which could take weeks, months, a quarter, or longer, depending on many variables. Waiting to hear from investors can drive even the most patient executive close to the edge. Knowing the investment cycle of investors can save you much anxiety. For example, family offices generally have access to capital and, as a result, these firms are more opportunistic and make investments frequently. Pensions, endowments, and foundations, on the other hand, typically must have investments approved by a board of directors, which may meet only twice a year. They are not as nimble as family offices but make larger, longer-term allocations.

So get a handle on prospects’ investment cycles. If you understand whether the wait is six weeks or six months, you’ll sleep a lot better at night. You’ll also be able to focus on pursuing other potential investors and keeping your pipeline full, which is really the key to securing allocations.

**Allocation Phase**

Raising capital in the life science arena is both a science and an art form. Yes, it requires professional collateral, a proactive marketing effort, and consistent follow-up. But because it hinges on building relationships, you
also need to develop your intuition, a sixth sense for when to push and when to be patient. Perhaps nowhere in the process is this more evident than in the allocation phase.

**The Decision Maker**

Imagine that you’ve been courting an investor for months, maybe even for over a year. You suspect, or are told outright, that the odds are stacking up in your favor. You may have even received a verbal. You’re anxious to see this come to fruition. Perhaps you’re coming to the end of your fundraising cycle.

It’s at this point that many life science fundraising executives have the inclination to push the process along, get the deal done, and get the term sheet signed. Usually, however, that’s the worst thing you can do. Rather, you need to give the investor the time and space he or she needs to go through his or her process. Rarely is an investor acting alone, and the more people involved, the longer the process. So the best thing you can do is get an understanding of the players involved, the steps they need to take, and their timeline, and then get out of the way.

The decision maker is the person in the company who has the authority to write the check. This may be somebody you have met along the way a few times or someone who kept to themselves until the final week of the process. Either way, this is the person who will contact you at the end of the line and deliver a contract directly for you to sign. If you have made it all this way but another firm is chosen for the allocation, you may be contacted and hear a “no,” but you may also hear nothing at all. This is another good reason to be diligent in your follow-up, so you can stay apprised of whether you are still in the running.

At the same time, there is no need to panic or waste any extra effort at this stage. In fact, it’s better to move your sights and energy to another investor, for the more irons you have in the fire, the better. Before you move on, however, take time to think about how you got to this stage with this investor. What did the investor like or dislike about your firm? What questions were asked? Investors tend to think along similar lines, so it pays to incorporate what you learned from one process into the next one.
If you didn’t receive the allocation, however, don’t obsess about what may have gone wrong. It will drive you crazy. There are many aspects of this process that are not under your control. You must simply incorporate what you’ve learned into your approach and take comfort in the fact that you made it to the final round. Then stick the shovel in the ground and keep working.