

Funding Differences – Oslo to Silicon Valley

While Silicon Valley and Oslo share a strong passion for technological innovation with a growing desire for Norwegian entrepreneurs to achieve the dream of international success, the path to funding success is quite different in Silicon Valley.

First, the good news...with the currently strong economic growth in the valley, there IS capital available and deserving startups and mature (founded 2010-2013) companies are receiving VC, institutional and angel investments. However the key word is 'deserving'. While there are examples of 'hot companies' that receive funding by simply being in the right place at the right time, generally US investors make funding decisions based on a company's demonstrated market position, customer traction and positive financial results.

The Role of Friends, Family and Fools

One of the greatest differences between Oslo and Silicon Valley is the lack of strong public funding options in CA and the US in general. Without access to or support of 'federal or local' organization (such as Innovation Norway), the Silicon Valley entrepreneur must depend on either his own funding or that of 'friends, family and fools' ie his network and supporters for initial capital. Many budding innovators live on a diet of 'beans and rice' while investing their savings, taking a second mortgage on their home or working at their 'day job' to pay the bills for the first years of the company.

When the entrepreneur has a prototype, beta customers and evangelists that can speak to the value the solution brings to the market, the entrepreneur is ready to begin to approach initial investors.

Today, the term 'investors' can refer to traditional venture capital firms which invest long term for a management fee, board seat and high ownership stakes or 'angels' who would generally provide less capital but offer mentorship and less aggressive terms. There is also strong growth in boutique venture firms that represent best of both worlds.

The Role of Customers

One of the first questions, however, that the entrepreneur can expect from any investor is 'who are your customers' and 'what is your current and planned revenue'. While revenue creation has always been important, after the Great Recession, the need to show a clear path to profitability through customer adoption is critical. Even if initial customers have purchased on discounted basis, the fact that they have seen value worthy of a purchase is required validation for most investment.

Therefore, in Silicon Valley, Customer Funding is often considered in conjunction with Angel Funding and prior to Institutional or Venture Funding.

For the Norwegian entrepreneur dreaming of Silicon Valley, Next Step's team would recommend leverage of any available public funding in Norway to provide initial investment to develop the prototype, gain market feedback and initial customers. Then, through Customer Funding achieve traction and validation before approaching angels or VCs for the investment needed to scale the business.

Taking Companies to the Next Step



About Next Step

Next Step improves revenue results and profitability for organizations through sales effectiveness and employee productivity programs. Since 1997, Next Step's team of seasoned professionals have made a difference for organizations as they are expanding into new markets, competing in a changing environment and sustaining long term profitability. Clients include Cisco Systems, Adobe, Genentech, and many small to mid-sized technology, services, clean tech and life sciences organizations. For more information on our clients or our integrated training programs and consulting services, please visit www.nextstepgrowth.com.

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