

TECHNOLOGY SPOTLIGHT

with JON I. EINARSSON, MD, PHD, MPH

Fundraising for early-stage start-ups

For a medical device start-up to be successful, it needs a talented team, decisive implementation, and adequate funding. Without resources for prototype development, patent filing, regulatory work, and more, the best ideas will die on the vine because running out of funds is a common reason for failure. Therefore, careful and realistic planning is essential.

Sources for initial funding often consist of family and friends, the founders themselves, or potentially angel investors. The most important principle when it comes to fundraising is to have a compelling story. What problem are you trying to solve, why is it important to solve it, and why is your solution going to work?

When pitching your idea and plans, stay out of the weeds and focus on the big picture. Have a realistic plan, do your research, and if you have the means to invest, invest some of your own money. This builds investor confidence and gives you tangible skin in the game.

Once you have made some strides, such as a filed patent or a prototype that works, you need to seek out additional resources, sometimes called a “series A” round. Trying to bring in venture funding too early is generally a mistake because the valuation of your company will not sustain the amount of funding

venture capitals are generally offering. It will also mean loss of control early.

It is better to seek a different route.

One option is to recruit professional fundraisers. They will evaluate your solution, and if they think it is a winner, they will partner with you to seek out funding. This changes the dynamic of fundraising and increases the chances of success. They have skin in the game since they only get a small up-front fee and generally collect a proportion of the funds raised.

Another option is seeking out a professional grant writing company to apply for the plethora of grants available. Applying for grants is arduous, time-consuming, and very competitive.

Getting a grant is excellent because it is nondilutive capital; however, it is optimal if the founders can focus on advancing their idea rather than spending time on grant writing. Grant writers collect an up-front fee and a percentage of the funds. This ensures skin in the game, and they will continue to apply for grants as long as they believe there is a good chance your concept and team are winners.

In summary, raising funds is vital for the sustainability of medical device start-ups. After the initial efforts, using professional fundraisers and grant writers may increase the chances of continued growth and success.

DR. EINARSSON, deputy editor, is chief of the Division of Minimally Invasive Gynecologic Surgery at Brigham and Women’s Hospital, and a professor of obstetrics and gynecology at Harvard Medical School in Boston, Massachusetts.

