

E.B. Howard Consulting

How Startups Can Build an 18–24 Month Funding Roadmap

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Executive Summary

Early-stage startups often underestimate the time and complexity required to secure funding. Investor decks often stress vision and market potential, but the real difference comes from careful financial planning that maps funding sources over 18–24 months.

A well-structured roadmap allows founders to synchronize non-dilutive grants, equity financing, and revenue milestones into a coherent capital plan, and what the data tell us about when to apply, how success rates vary by agency (*See Appendix: Figure 2 for a graph of success rates by federal agency*), and what investors are looking for.

The goal is to equip stakeholders, investors, accelerators, and advisors with insight into how early-stage ventures can survive the “valley of death” and position themselves or scale.

Introduction

For most startups, capital is the single most significant constraint. The **National Venture Capital Association** estimates that nearly **two-thirds of U.S. startups fail to return investor capital**, with most failures tied to cash flow breakdowns or inability to raise follow-on rounds.¹ The problem is not always a lack of capital but poor timing. Some founders chase equity too early, overlook non-dilutive sources, or misalign milestones with investor expectations.

An 18–24-month funding roadmap provides a disciplined approach. It ensures that every dollar, whether from grants, angel checks, venture rounds, or early revenue, connects to a timeline that reduces risk for founders and investors. Without a roadmap, startups can run into cash shortfalls that hurt their valuation, weaken their bargaining power, and reduce their chances of survival. Recent data underscore the stakes.

In 2023, U.S. venture-backed startups raised a median of **\$3.1 million at the seed stage** with typical runway estimates of 18 months.² Yet nearly **40 percent of seed-funded companies failed to secure a Series A**, leaving investors with write-offs. On the non-dilutive side, NIH reports that it received more than **58,000 competing grant applications in 2023 but funded only about 11,000**, a success rate of about 20 percent.³ These numbers show why timing matters. Startups must plan funding carefully to avoid joining the many that stall before they can scale.



Background / Context: The Valley of Death

Startups face what scholars call the ‘valley of death’, the gap between proof-of-concept and commercialization, where projects often stall for lack of capital.⁴ Data confirms its severity: only **about 20% of NIH Research Project Grant (R01) applications were funded in 2023**,³ and **SBIR Phase I success rates hover at 13%**, rising to **~30% for Phase II**.⁵

On the equity side, median time from seed to Series A is **18–24 months**, with **nearly 40% of companies failing to raise the next round**.² These figures underscore why roadmaps matter: they synchronize the longer timelines of non-dilutive grants with the faster cycles of equity fundraising, creating overlap that prevents funding cliffs.

The funding gap is not unique to the U.S. Studies of European Union Horizon 2020 and UK Innovate UK programs reveal the same valley-of-death dynamic: firms with early public R&D support were significantly more likely to raise private capital and reach commercialization, while peers without such support struggled to progress.⁶

This pattern across countries shows that structured roadmaps are not just best practice but often essential to overcoming funding barriers. *(See Appendix: Figure 3 for a breakdown of capital diversification for emerging startups)*

What the Evidence Says: Sequencing Matters

Research shows that grants and private investment work together; they complement each other rather than replace one another. A 2024 study in the *Review of Economics and Statistics* found that winning an R&D grant more than **doubled the likelihood of attracting private equity within two years**, particularly for younger firms.⁷

Similarly, GAO evaluations of SBIR/STTR programs conclude that awardees are significantly more likely to reach commercialization milestones and secure follow-on investment than non-awardees.⁸ Timing also affects valuation. Startups that raise equity after completing grant milestones often secure valuations 25–35 percent higher than those forced to raise cash in crisis.² This demonstrates that investors' price discipline and credible validation are directly tied to deal terms. For stakeholders, the implication is that a roadmap is not just survival planning; it is a valuation strategy.

For investors, this means startups with mapped grant-to-equity sequences present lower risk. For founders, building the roadmap is not just a financial exercise but a strategy for signaling credibility. Compliance capacity deserves particular attention. A 2023 GAO review⁹ of more than 3,700 Single Audit findings found that 36 percent involved eligibility verification, subaward



monitoring, or cost allocation errors (See Appendix: Figure 1 for a breakdown of audit categories)

These errors undermine trust from both grantmakers and investors. Startups that embed internal controls early, tracking costs, documenting subawards, and aligning with 2 CFR 200³ signal that they can responsibly manage larger pools of capital.

The 18–24 Month Roadmap Framework

- 1. Establish Baseline Runway:** Start by mapping your current burn rate and cash on hand. A startup spending \$100,000 monthly requires \$1.8–\$2.4 million to sustain itself for 18–24 months. This becomes the anchor for your funding strategy.
- 2. Layer Non-Dilutive Funding:** Federal programs such as NIH SBIR/STTR, NSF PFI, or DOE ARPA-E offer \$250,000–\$2 million tranches. Success rates are low, but the signaling value is high. Applications should be timed so that awards (if won) arrive mid-roadmap, extending runway without dilution.
- 3. Time Equity Rounds to Milestones:** Equity should not be raised simply when cash runs out. Data from PitchBook show that startups raising on the heels of technical or commercial milestones secure valuations **25–35% higher** than those raising under duress.² The roadmap should place seed or Series A rounds after grant deliverables or early revenue traction.
- 4. Integrate Revenue and Customer Funding:** Pilots, paid trials, and advance purchase agreements are part of the roadmap. The Kauffman Foundation reports that ventures integrating customer revenue early reduce equity needs by 30% and improve survival odds.¹⁰
- 5. Build Compliance and Registration Early:** UEI and SAM.gov registration can delay federal submissions by **6–8 weeks**.¹² Internal cost controls and audit readiness under **2 CFR 200** are not optional but part of investor diligence. The roadmap must allocate time and resources for compliance, not just capital.

Case Studies

- Positive Sequencing:** A Utah medtech startup secured a Phase I SBIR (\$300k) to validate feasibility, layered in state innovation grants (\$200k), and then raised a \$5 million Series A within 20 months. Investors cited NIH review and timely deliverables as



key diligence factors.

- **Negative Sequencing:** A digital health firm raised seed equity first, burned aggressively, and applied for SBIR funding late. By the time award notifications came, the company had run out of cash, missing the overlap window. Investors declined to bridge, and the venture collapsed despite technical promise.

Implementation Considerations

- **Timeline Discipline:** Federal grant reviews can take 6–12 months. Equity cycles average 4–6 months. Roadmaps must layer these processes early.
- **Risk Buffers:** Build **90–120 days of working capital reserves** to absorb policy volatility, as illustrated by OMB Memorandum M-25-13 in January 2025, which temporarily froze federal disbursements.
- **Stakeholder Communication:** Share the roadmap with investors. Transparency about planned grant applications and milestones signals foresight and strengthens trust.

Conclusion

An 18–24 month funding roadmap is no longer optional; it is the discipline separating startups that scale from those that stall. For founders, it forces a realistic accounting of burn and capital needs. For investors, it signals governance, foresight, and reduced risk. The evidence is clear: **startups that map non-dilutive awards, equity rounds, and revenue milestones into an integrated plan are more likely to survive the valley of death and reach scale.**

Stakeholders should expect, and demand, such roadmaps as part of diligence. Looking ahead, the expectation is shifting. Accelerators, venture funds, and corporate investors are increasingly asking founders to produce 12–24 month capital plans as part of diligence.

For stakeholders, requiring such roadmaps is not about micromanaging founders but ensuring transparency and reducing asymmetric information. Startups that come prepared with a funding roadmap will improve their survival odds and stand out as credible, disciplined partners in an increasingly competitive capital market.



Citations

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Appendix

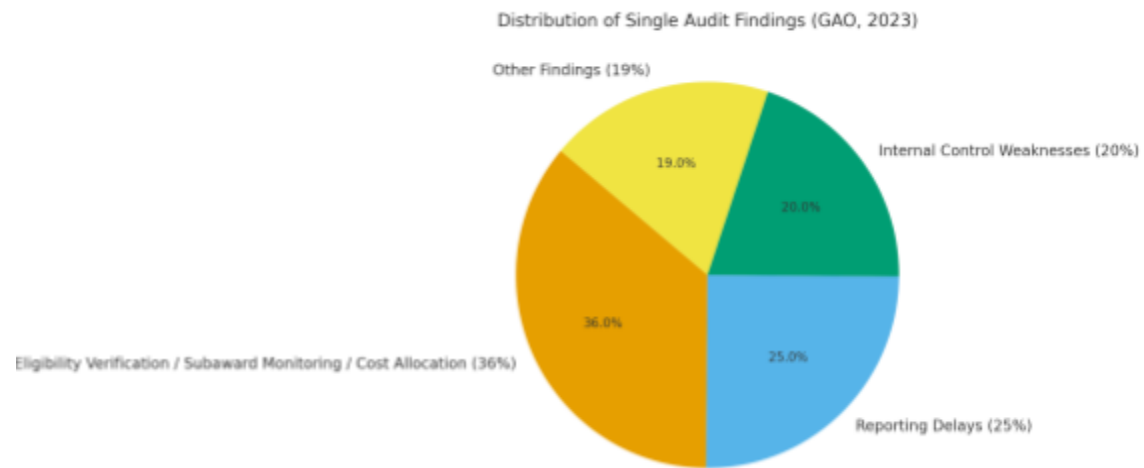


Figure 1: Audit infractions by type

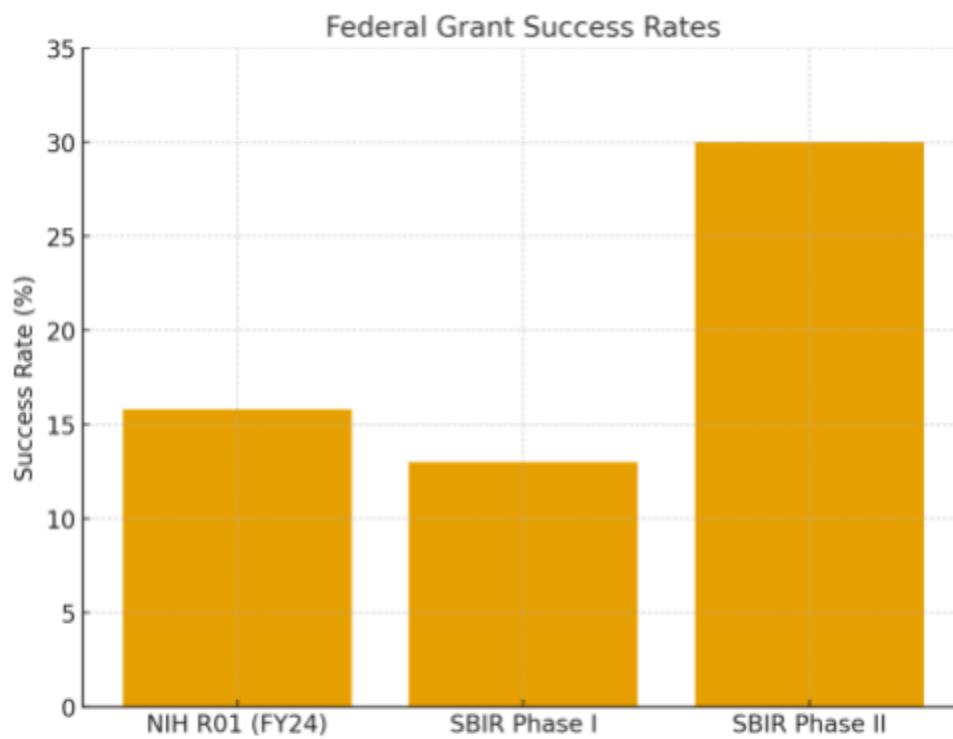


Figure 2: Success rates by agency

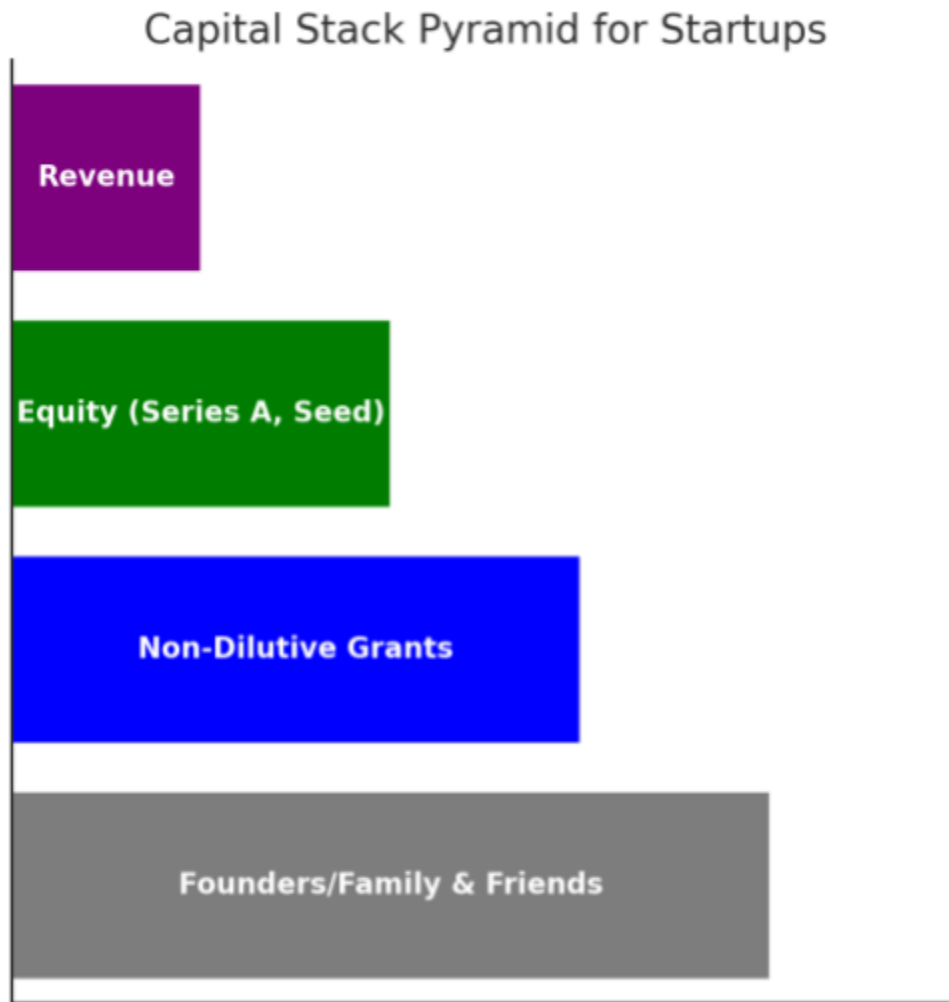


Figure 3: Capital versatility for startups