

Bootstrapping the Company's Growth

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My company is tiny. I work part time, nights and weekends, to get it going. I have to keep my day job, to pay the bills and to cover my insurance needs. How do I know when it's the right time, to switch and give my company my full time commitment? It seems really risky to even think about doing that – what if things don't play out and I don't have enough income? On the other hand, it seems like a chicken or egg thing – if I don't make the company my full time priority, it may never get off the ground. Got any advice?

Bootstrapping is the most common form of business start-up in the United States. The fundamental principals behind bootstrapping include:

- thinking small to start
- keeping costs to a minimum
- growing through self-funding
- selling initial services to raise cash
- learning to walk before trying to run
- keeping the funds in / available to the company
- developing a long term plan that is executed only after the business is off the ground and running.

Let's take a look at what bootstrapping means in practical terms.

People who bootstrap have to be willing to start small: one customer, one sale, one employee, one product or service

at a time. Bootstrap owners recognize that it takes time to build up a business. They exhibit patience and discipline, even if they are quite anxious to get the business off the ground.

The owner manages income and cash flow, and has enough discipline to limit expenses and delay investments. It doesn't matter how much an owner might want something – working in the company full time, a new office, a sizeable marketing program, a great employee with special expertise. Decisions to spend are based strictly on the availability of income to pay for the expense.

Why would businesses want to self fund? Every dollar that goes towards borrowing money, otherwise known as interest payments, is unavailable to the business. Borrowed money has to be paid back. Having to pay off loans down the road can delay the businesses' development at a crucial time.

Bootstrap owners focus on what they can sell. They recognize that selling something is better than tinkering, selling nothing, and ending up out of business. They understand that the marketplace drives demand. If their original idea doesn't sell, they have to modify and move on. They figure out how to offer something for which the market will pay enough to keep their company alive.

Learn to walk before trying to run. Take care with early customers, make them feel important, attend to their special requests. Build future relations with vendors by being realistic about how much quantity is needed and when bills will be paid. Bring on one employee at a time. Have the time to get each new person up and running.

Build up a cash reserves for later investment. Tax laws give owners the incentive to take profits out of the company. Insure funds are set aside to lend back to the business in the future. Don't take the profits home and spend them all on personal needs.

Many boot strappers have a primary and secondary plan. They start out with a quick cash product or service, which gets the business off the ground. Then they follow with the real product or service they wanted to launch, once they've raised enough cash through the quick start program.

What makes bootstrapping worthwhile is the long term plan – the vision of where the company is going over the upcoming years. Have a set of benchmarks to hit. Benchmarks make it easier to keep things in perspective, as the challenges of slow, steady bootstrap growth may sometimes feel daunting.

To answer our reader's question specifically: keep your day job as long as you can. Consider having



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a part time person work for you, to fill in while you keep your day job, salary and benefits. Often bootstrap companies start out with part time employees, who need less in benefits and tend to make fewer demands on company services. Tell your customers you need to be paid right away, and stick to your guns. Avoid debt. Put money aside monthly, in reserve, to protect you and the company as you grow. Have targets to hit, which define when to leave your day job: amount of cash reserve cushion, amount of monthly income, amount of profit, number of customers, units of sale.

Looking for a good book? Try The Art Of The Start: The Time-Tested, Battle-Hardened Guide For Anyone Starting Anything, by Guy Kawasaki.

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If you are a business owner and you have a question or would like to discuss some aspect of your business, call [1.877.238.3535](tel:18772383535) or send an email to AskAndi@StrategyLeaders.com.

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