

Keep on Bootstrapping

by [Matt H. Evans, CPA, CMA, CFM](#)

Regardless of where your company stands in the growth life cycle, you should always consider some form of bootstrapping. Bootstrapping is the use of little or no money by leveraging available resources. Bootstrapping enables you to control cost by getting things done without committing cash. This approach is viewed favorably by current and potential investors since you are setting priorities around maximizing value.

Bootstrapping can take many forms such as delaying a purchase, using the same personnel across a wide range of jobs, or leveraging free social platforms to reach customers. For example, instead of spending a lot of money on a fancy office, you elect to work from home. The money saved is then re-invested back into search engine optimization which translates into more customers. According to a 2014 study by the Kouffman Foundation, almost every fastest growing Inc 500 company with sales less than \$ 2 million used bootstrapping.

“It’s not about writing 200-page business plans, power lunching with venture capitalists, or triple-mortgaging your home to pay legal and accounting fees. An entrepreneur who operates with the mindset of bootstrap management understands that all resources are scarce and that cash must be cherished.” – [Raising Capital: Get the Money You Need to Grow Your Business](#) by Andrew J. Sherman

Bootstrapping is also useful for managing risk since long term commitments are avoided. Contract terms are more flexible with options to cancel or modify the services. One obvious way to bootstrap is to outsource. Outsourcing can be applied to four areas:

1. [Developing new products and / or services](#) – Enlist crowdsourcing platforms to test ideas and design concepts prior to committing resources for development and production.
2. [Generating Sales](#) – Leverage the use of data analytics and customer relationship management systems (such as SalesForce) so that you are not relying solely on your sales personnel.
3. [Delivery of Products and Services](#) – Use Service Level Agreements to put performance based metrics behind those who deliver, such as your Call Center.
4. [Plan and Manage the Business](#) – Outsource those functional areas where your expertise is scarce, such as Information Technology.

“Bootstrapped companies are more effective at making constant course corrections, carefully honing the business model to be sharper and sharper, and ultimately constructing a strong foundation for consistent, sustainable growth.” – Derek Weber, Young Entrepreneurs Council

Bootstrapping can force discipline and focus into a business, helping ensure that you invest wisely. When a company has too much money, there is a tendency to get lazy and not sell more. Even large, mature companies like Wal-Mart engage in bootstrapping. Take for example how Sam Walton, founder

of WalMart, engineered the operating cycle so products were sold prior to having to pay the vendors. Vendors are required to restock the shelves on a just in time basis.

Finally, bootstrapping is not easy. You may find yourself becoming a jack of all trades and where you lack answers, you have to scarp out inexpensive resources. Additionally, bootstrapping can constrain growth and your ability to scale the business. However, most businesses that bootstrap become intelligent and this translates into a source of intellectual capital for growing the business.

“Entrepreneurs can bootstrap almost any business – especially if they have no choice in the matter. I may never be invited to speak at a business school again for saying so, but a bootstrappable business model means managing for cash flow, not “paper” profits, growth, market share, or branding.” – The Art of the Startup by Guy Kawasaki