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# *Financial Bootstrapping: Small Steps that Yield Big Results*

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# Session Agenda

- Introduction to financial bootstrapping
- Six bootstrapping strategies
- Conversation with Jim Ansara, a successful entrepreneur who started and grew his company by employing different bootstrapping strategies



# Introduction to Financial Bootstrapping

- The for profit entrepreneurs experience with bootstrapping
  - One of the major hurdles faced by small businesses is capitalization
  - Many successful companies such as Microsoft, Dell, CISCO, Oracle and eBay started without early venture capital funding

The Dell logo, featuring the word "DELL" in a blue, sans-serif font with a white diagonal line through the "E".The Oracle logo, featuring the word "ORACLE" in a red, sans-serif font.The Microsoft logo, featuring the word "Microsoft" in a black, sans-serif font.The eBay logo, featuring the word "eBay" in a multi-colored, sans-serif font.The Cisco logo, featuring a stylized bar chart above the word "CISCO" in a red, sans-serif font.

# Introduction to Financial Bootstrapping

## ■ **Financial Bootstrapping:**

Starting and operating a business with little or no outside money or assistance from outside investors. Instead, bootstrapping is funding primary development and growth through internal cash flow using real customer revenues



Bootstrapping offers a low risk way to finance a startup enterprise while maintaining freedom of action

# Introduction to Financial Bootstrapping

- Specific challenges that social enterprises face in accessing capital include:
  - Double “Bottom Line”
  - Limited Understanding
  - Restriction on private benefit
  - Familiarity
  - Type of entrepreneur



# Introduction to Financial Bootstrapping

- Focusing initially on bootstrapping strategies will reduce the following risks:
  - Being burdened by interest payments on debt
  - Diluting the ownership of the venture which can result in a loss of control through equity
  - Investing significant time and effort in an attempt to secure a grant



# Financial Bootstrapping Strategies

- Maximizing Sales
- Invoicing and Terms to Conserve Cash
- Buying Effectively
- Outsourcing
- Obtaining Low Cost Office Space
- Maintaining High Quality People

# Financial Bootstrapping Strategies

## ■ Maximizing Sales

- Over-deliver and not over-sell
- Understand the unit level cost to deliver your product or services
- Don't wait until your product is perfected
- Prioritize marketing
- Keep the cost of customer acquisition economical



# Financial Bootstrapping Strategies

## ■ Invoicing and Terms to Conserve Cash

- Invoice on time or even early
- Ensure that your customers pay within thirty days, and if they don't, charge a fee for late payments
- Create a checklist of administrative questions when closing a sale



# Financial Bootstrapping Strategies

## ■ Buying Effectively

- Look closely at the relative costs of leasing vs. buying, or buying second-hand or re-conditioned equipment
- Examine the different costs between cash discounts and extended credit rates
- Avoid carrying excessive inventory
- Keep variable costs low
- Reduce costs on information technology



# Financial Bootstrapping Strategies

## ■ Outsourcing

- Consider using outsourced payroll and bookkeeping services
- Find group healthcare schemes that are less expensive and save administrative time
- Think about computing as an area where large cost-savings can be achieved without loss of quality
- Use an online newsletter firm to prepare your Web newsletter



# Financial Bootstrapping Strategies

## ■ Low Cost Office Space

– Options to consider:

- Using existing space that your parent nonprofit can afford to loan
- Sharing workspace with other small businesses
- Locating short-term or low-cost rental for the short term
- Subletting from someone with surplus space
- Taking a larger space at an attractive rent with another business



# Financial Bootstrapping Strategies

## ■ Maintaining High Quality People

- Consider commission only sales brokers or contract employees
- Set up an advisory board of good contacts whose advice and support you value
- Collaborate as an effective way to minimize your cash outlay
- Use students as a source of motivated contract workers



# Financial Bootstrapping Strategies

## ■ Cash Raising Tactics to Avoid

- Using credit cards to finance cash flow
- Discounting and factoring invoices
- Waiting until the last minute to get a loan



# Conversation with Jim Ansara



- Jim Ansara is Founder and Chairman of Shawmut Design and Construction, an \$800 million general contracting and construction management firm headquartered in Boston, with offices in New York, Providence, Atlantic City, and Las Vegas