How to bootstrap a startup

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Key Take Aways from Today

- Examples of successful bootstraps
  - 4 key elements in their approach
- Entrepreneurial vs. Employee Mindset
- How to evaluate new opportunities
  - Team + Technology + Traction
  - Social capital and social navigation
  - Markets are conversations

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Questions for the Audience

- Who is has put their heart and soul into developing your product?
- You see uses for it everywhere, but no one contacts you?
- You launch your dreams and then nothing...nobody buys
- Who talks to target buyers, but nothing happens?
- Who has attracted the wrong people?

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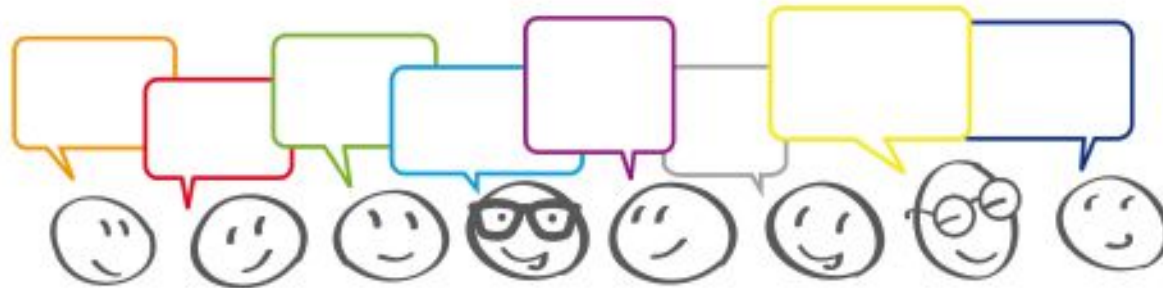
Successful Bootstrapped - Hardware

- Hardware device turns off power tool in fraction of a second
- Founder was an EE who managed a small machine shop
- Mission was to reduce injuries

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Successful Cellular Spend Mgmt Firm

- Cell phone spend management

- Reseller who added bill review service
  - Initially a spreadsheet, manual bill analysis
  - Added PDF reader to eliminate data entry
  - Contract development in QuickBase
  - Hired CTO to build full cloud stack

- Traction in construction industry

Successful Bootstrapped - SaaS Company

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- Workers' compensation SaaS software
- Initially IT consulting team
  - Partnered with managed care provider
  - Productized internal workflow management tools
- Major customer: Nationwide grocery store

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Why Bootstrap? Why Start a Business?

- Why – Entrepreneur Mindset
  - Autonomy
  - Achievement
  - Wealth
- Why Not – Employee Mindset
  - Security
  - My time is always worth $X/hour
  - I want to retire (move to another lifetime)

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Successful Entrepreneurs use Effectuation

- Sweat Equity + Relationships + Know How
  - Ends become means
  - Outcomes become building blocks

- Affordable loss bets
  - Don't go "All In" on one strategy

- Gain new knowledge and lower uncertainty
  - Clarity on business model
  - Identify and lower risks

Saras Sarasvathy's Effectuation

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Recap Examples

- Leveraged expertise to focus on a niche
- They sold what they had
  - Listen and learn: product provoked insights
- Picked a problem with enough value
  - Price point enabled pay as you go
- Continually integrated other technologies
  - Don't make what you can integrate

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How to Evaluate an Opportunity?

- It's not just the problem (or the market)
- It's also what you bring:

Team, Technology, Traction

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Team

1. Intellectual Capital
2. Social Capital
3. Financial Capital

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Team: Intellectual Capital

- Know-how, experience, methodology
- Enables execution with distinction
- Individual skill not enough
  - Demonstrated ability to deliver projects
  - Best: carried an idea to revenue/profit
- Unique knowledge drives differentiation

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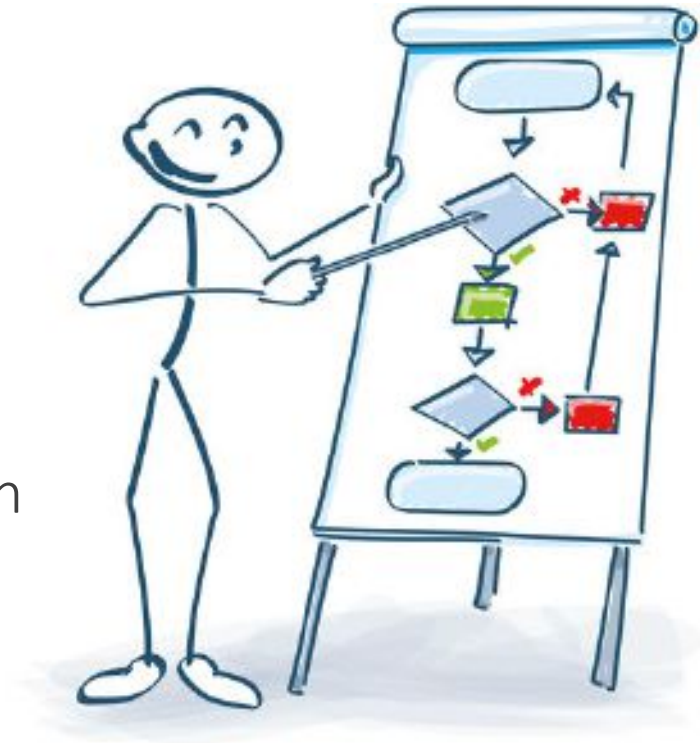
Team: Social Capital

1. Relationships & "people skills"
   1. Prior shared success that you can reactivate
2. Social Navigation: networking with a goal
   1. Understand cost and transactions
3. Founders will spend social capital on
   1. Trusted feedback
   2. Early sales
   3. Sourcing advisors and early employees

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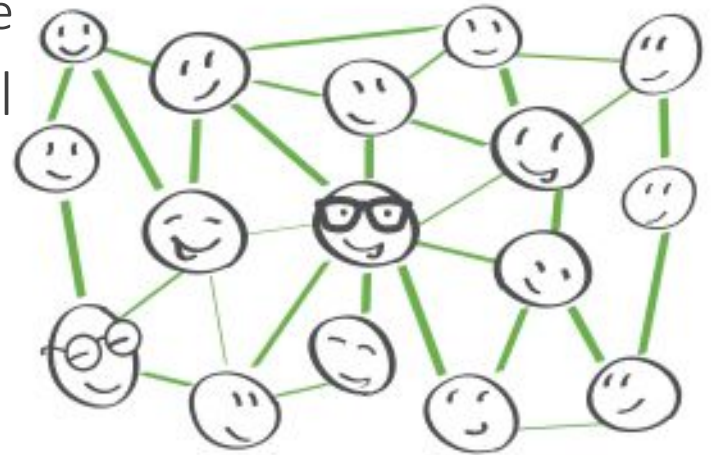
Social Navigation Networking with a Goal

- Costs: spending / enhancing trust
- Transactions
  - Introductions
  - Serious conversation
  - Follow-up

Connection In Common

You

Target Buyer

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How to Reach a Target Customer?

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How to Reach a Target Customer?

You

Suspects

Target Customer

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Navigating to First Customers

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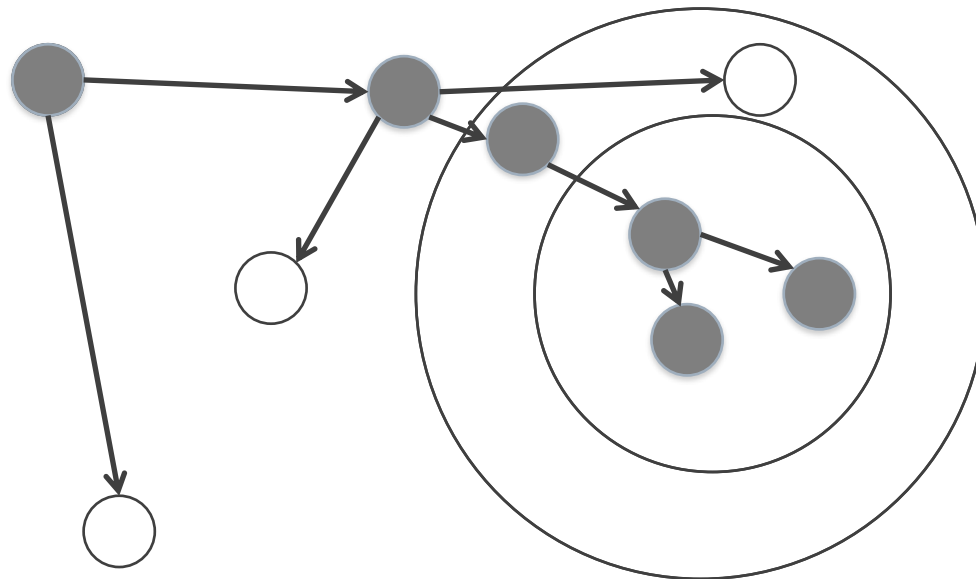
Team: Financial

- Self-funded
- Investment sources
  - Friends & family
  - Qualified investors: Angels, VC, & corporate
- Revenue is the best form of financing
- Early market survival is all about
  - Low cost exploration
 - Low cost experimentation (safe-fail probes)

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Technology:
Address Pain or Enable Possibilities

- Does Technology Address Customer Pain?
  - Who has the Pain?

- Or Does It Enable New Capabilities?

- What is the Minimum Feature Set?

- Antibiotics More Compelling than Vitamins

- Q: How To Position Children's (81mg) Aspirin?

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Technology: 2 Week Test

- Tend to over engineer MVPs
- Consulting – System Integration - Product
- What can you deliver In 2 weeks?
  - Audit
  - Workshop
  - Consulting
  - Sign-Up List for Newsletter

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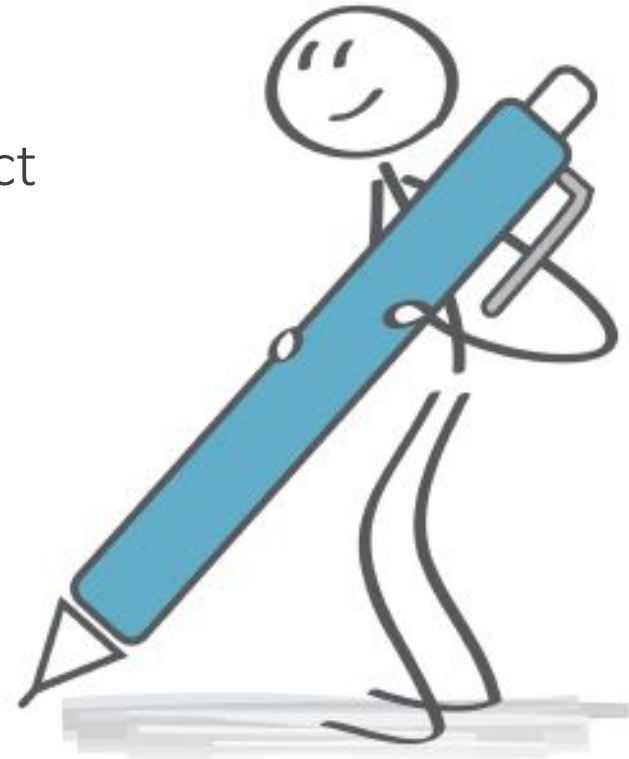
eMobus Example

Content -- Consulting – System Integration – Product

- Manual spreadsheet

- PDF scanner

- Intuit QuickBase solution

- Full-time CTO and cloud solution

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Traction: Set and Hit Targets

- Getting started means:
  1. Developing a pitch / demo
  2. Writing a business operating plan
  3. Writing a product plan
  4. Writing code / creating technology
  5. Writing a business plan to raise money

- Pick those that reduce key risks first
- #1 requires a clear understanding of customer

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Traction: Demonstrated Results

- Set and hit targets that reduce risk

- Internal
  - Make decisions: irrevocably commit resources
  - Define & deliver: on spec & on schedule
  - Get others excited enough to join team

- External
  - References from paying customers
  - Revenue from customers

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Traction: Three Levels of Progress

- Stopping point: limits to current effort
  - Plan for when to try something else
  - Avoid "Little Engine that Could"
- Nominal: breakeven operation
- High/unexpected success
  - Have a plan that merits investment

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How To Bootstrap Your Startup

- Team
  - Map Intellectual, Social, and Financial Capital
- Technology
  - Specific skills that drive product leadership
- Traction
  - References & revenue
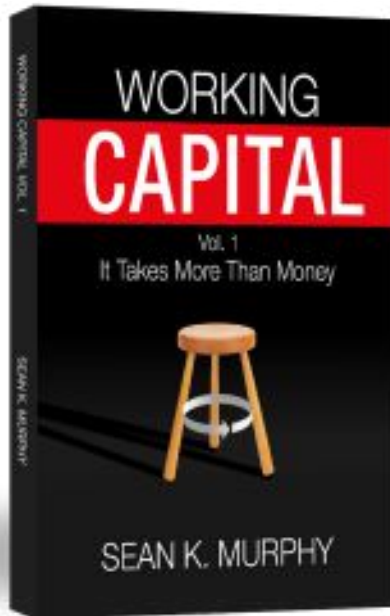 - Ability to set and hit targets

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Further Reading

- "Working Capital" by Sean Murphy
- "You Have to Be a Little Crazy" by Barry Moltz
- "The E-Myth Revisited" by Michael Gerber
- "Managing Oneself" by Peter Drucker
- "Effectual Entrepreneurship" by Saras Sarasvathy et. al.

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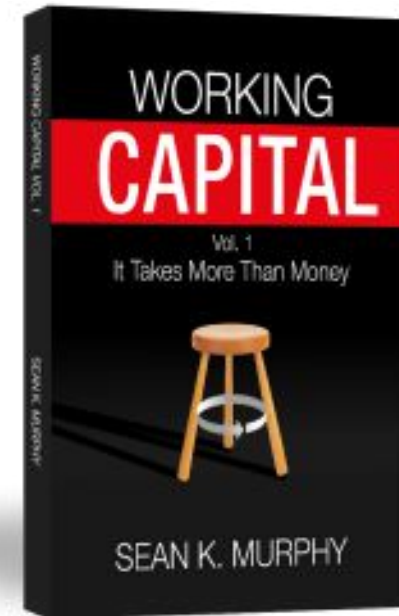
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