10 Incentives For Entrepreneurs To Bootstrap Their Startup

By Martin Zwilling

I've always wondered who started the urban myth that the best way to start a company is to come up with a great idea, and then find some professional investors to give you a pot of money to build a company. In my experience, that's actually the worst way to start, for reasons I will outline here, and also the least common way, according to an authoritative survey of new startups.

Based on the Startup Environment Index from the Kauffman Foundation and LegalZoom a while back, personal money, or bootstrapping, continues to be the primary startup funding source. Eighty percent of new entrepreneurs use this approach, with only six percent using investor funding. The remaining entrepreneurs borrow from family and friends, or acquire a loan.

So before you become obsessed with landing investors to fund your idea and minimize your risk, consider the following:

1 **Finding investors takes work, time, and money you can ill afford.** Entrepreneurs who plan to complete a business plan the first month, find an investor the second, and roll out a product the third month are just kidding themselves. Count on several months of effort and costly assistance to court investors, with less than a 10% success rate.

2 **Anyone who gives you money is likely to be a tough boss. If you chose the entrepreneur lifestyle to be your own boss, don't accept money** from anyone. Every person who gives you money will want to have "input," if not formal approval on every move. Be prepared to live with communication, negotiation, and **milestones every day.**

3 **Don't give up a chunk of your company and control before you start.** Even a small investor in the early days will take a large equity percentage, due to that pesky valuation challenge. At least wait until later, when you ready to scale, and have some "leverage" based on a proven business model, some real customers, and real revenue.

4 **You will squeeze harder on your own dollars than investor dollars.** It's just human nature that we remember the pain of earning our own dollars, versus those "**donated" by someone else. Focusing on the burn rate and prioritizing every possible expense will keep overhead down, help you stay lean, and achieve a higher profit earlier.**

5 **Sometimes survival requires staying under the radar. People who give you money like to talk about their great investment, and competitors see you coming. Sometimes creative efforts need more time before launch, or your efforts to run the company need tuning. Investors like to replace Founders who don't seem to be moving fast enough.**

6 **Managing investors is a distraction from your core business. Fundraising and investor governance are never-ending tasks, which will take real focus away from building the right product and finding real customers. Having more money to spend, but spending it on the wrong things, certainly doesn't pave the road to success.**

7 **Entrepreneurs need to start small and pivot quickly. Start with a minimum viable product (MVP), as well as a minimum viable team. Investors like a well-rounded team, working in a highly parallel fashion. That takes more money and time to set up, and more people to re-train and re-educate when forced to redirect your strategy.**

8 **The best partners are ones who share costs and risks. With no investors, you will work harder to find vendors who will absorb costs and associated risks for a potentially bigger return later. Since they now have real skin in the game, they will also work harder to show quality and value, which is a win-win-win for you, them, and your customers.**

9 **You will be happier and under less pressure. You should choose to be an entrepreneur to be able to do what you love. Yet we all apply pressure to ourselves to do these things to our own satisfaction. Investor money brings so many additional pressures, that personal happiness and satisfaction can be completely jeopardized.**

10 **Show you are committed to your startup, not just involved. When you put your own financing on the line, your partners, your team, and eventually your customers will know that you are committed to solving their problem. That** increases their motivation and conviction, which are the keys to their success as well as yours.

Of course, some of you will say, I don't have a dollar and my big idea can't wait. Unfortunately, outside investors are not an answer to this problem. To investors, having no money indicates that you may not have the discipline to manage their money, and manage a tough business process as well.

In these cases, I would suggest you work in another similar startup for a while, to learn the business, save your pennies, and test your startup concept on the side. A startup idea executed hastily and poorly will be killed more completely than any timing delay. Are you sure the money you seek is really your key to changing the world?

About the Author

Martin Zwilling is the Founder and CEO of Startup Professionals, a company that provides products and services to startup founders and small business owners. He writes a daily blog for entrepreneurs, and is also a regular contributor to Forbes, Harvard Business Review, Business Insider, and other business information sites. He recently released his first book titled "Do You Have What It Takes To Be An Entrepreneur?" He can be contacted directly at marty@startupprofessionals.com.

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