

ZA GeekRetreat talk on Bootstrapping

by Gareth Knight

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Embrace your fears. They are only fears.

It's the only way to start and make progress. Jump off the cliff.

There's never a “right” time to get started, so just do it and work things out as you go.

Don't let other people impose their fears into your thinking, it will only muddle you further.

Cashflow is King, always, without exception.

You should always always always have an eye on your cashflow, which literally means how much cash you have in the bank. When you lose sight of this, you **will** come unstuck and have to go to emergency measures. Knowing what cash you have frees you up to focus on bringing it in and to set your goals.

Know what your cashflow needs are at the beginning of the month; then re-assess at around the 10 or 12 of that month. Start collecting or making arrangements for what you need from then.

Learn to leverage debt. Don't let debt ruin your business.

I categorically don't recommend you get into debt if you can avoid it, as it's a big risk. However, if you can bear the risk, and can manage it well, it can serve you without you having to find other less economical sources.

I prefer credit cards as they don't lock you into overly long payment terms, and you can squash the debt when you're able to.

Make sure you make your interest payments every month so you don't affect your credit rating; know where you are within your limit at all time; revolve credit from one provider to another to get better interest rate deals.

Learn to accept “bread and butter” work for what it is.

There will always be work that is less exciting, more repetitive and which generates a lower profit. It's called “**bread and butter**” 'cos it's likely that although it's not great or ideal work, it puts bread and butter on the table and keeps the wolf from the kitchen door.

More specifically, it's likely to keep your business running, but not generate great returns or much profit. In the web industry it's probably something like doing website updates or maintenance, or is a specific kind of reliable customer you've well got profiled but which doesn't bring you much margin.

Generally it's 60 to 90% of your workload, or userbase. **Caveat:** I'm sure some people do better!

Conversely, if you can find it there will also be more ideal work, or “**cream**” which makes you happier, presents more of a challenge, is more rewarding both professionally and commercially, and will probably generate more profit.

This might be £1200 a day consulting work, billing out at corporate day rates for technical work, or acquiring a customer whose yearly value is 10x what you paid to acquire them (once you factor out cost of sales of course).

Generally it's 2 to 10% of your workload, or userbase. **Caveat:** I'm sure some people do better!

You should aim to **reduce the bread and butter** and **increase the cream work**.

Note also how the 80/20 rule applies here...

Save for the rainy days that will come.

You'll need to pay VAT, or Tax, or something, so have some cash available to do that.

Having a few months cash under the mattress is a good way to get around your fears and to help you to focus.

Saving cash to pay the government is a sure way to prevent you from having to dip into profit/loans/credit/salaries/growth funds when you need to pay up.

I've found creating two separate bank accounts for each and putting money in both every month is a great way of KISS.

There are only 3 ways to make more money.

To make more money you can:

1. gain new customers
2. get more money from existing customers
3. raise your prices

Start with the easiest to implement for you, then move onto the next.

Do something in your business to optimise for each as soon as you can.

Charge more than you think you should.

You're more than likely charging less than you should. Try it, you'll be surprised.

You'll find you'll make more money, and get more satisfaction out of what you do. It's easier to earn more from less projects, than earn more from more projects. The inference is that you charge more, but have less to manage while still earning more. **Start charging more until people stop asking you to do work for them.**

Get a good accountant. No, get a great accountant.

Make sure you educate them about your business and market, so they can give better advice.

I can't overstate the importance of a good, proactive, helpful, accountant, who knows that helping to make you successful will also make them more successful.

Don't be afraid to interview your prospective accountant - I would advise it's always a 2 way relationship that is most productive and leads to best results.

Understand P/L statements & Balance sheets.

You'll make less mistakes, and you won't have the wool pulled over your eyes.

Accountants, bankers and financial people generally think in terms of Profit and Loss (P/L) and Balance sheets. At a high level, they're health indicators for your business, and summaries of the way things are going.

If you can understand them, your ability to communicate with financial people will be better, the benefits of which are pretty obvious.

Roll the snowball uphill, this is not an avalanche.

I've seen very few people succeed without applying consistent effort. In the long run, persistence and continued effort pays off more than luck or brilliance.

Build processes wherever you can.

Give yourself the time to do the things you're good at.

Processes you can generally optimise on or find services for are around invoicing, banking, time sheets, sales cycle documentation, proposals, quotes and your daily routine!

Abstract and automate wherever you can, you're not an ISP.

Use 3rd party service providers to make your life and administration easy.

Don't ever re-invent the wheel unless it makes sense to.

Evaluate cost and cost of time against periodic or once off service costs.

Examples are email, calendar (Google Hosted apps), customer support (eSupport), Project management (Basecamp), invoicing (Freshbooks)

If you can at all, implement systems before you start.

This **will** save you time and money.

A system can be:

1. as simple as a checklist of things to do for a specific outcome, like SEO items or setting up a new client on your server;

2. more detailed like creating document templates which will support your business processes (RFP, costing, quotes, spec docs, resourcing, timesheets, invoices, manuals etc etc);
3. or more involved like setting up Salesforce.com specifically to suit your business, to setting up an accounting or banking package that gives you the reports you need to assess financial situation

Of course, in the heat of a start-up you might never get to it in advance, so this may be called wishful thinking. But the week or so doing this will pay off in the long run – you'll sleep more, get more real work done, and you'll feel like you're keeping the ship in the right course.

Always err on the side of simplicity; abstract the system so it can be used in as many scenarios as possible; use spreadsheets before buying expensive packages; and do backups!!!

Model your time, productivity and billing. Graphs will help spot trends.

Your job as a business owner is to reduce inefficiency and optimise efficiency. If you're able to model accurately what your time is worth with respect to your business and cashflow, then model that against productivity and your billing, and you'll be able to spot and rationalise weak spots much faster than if you let them hit you in the face. Promise.

The simplest thing you can do is ask yourself the following questions, then answer them as honestly as possible:

1. How much time do I spend working on average per day?
2. How much of that time do I spend doing something that will benefit my business?
3. How much of that time can I directly attribute to revenue? [service business]
4. How much of that time is making an effect on my product? [product business]

Use spreadsheets to model resources against billing as far in advance as possible, so that you can predict cashflow and resource fluctuations in advance, and plan to mitigate them.

Your life won't be normal, accept it.

Dont use your “normal” friends as your benchmark, they're generally not working under the same conditions you'll be.

Find other people like yourself where you live, to give yourself a balance.

Start or join a business group to discuss the stuff you're going through.

Ideas are cheap. Execution is everything.

If I had a pound for every idea I've either dreamed up myself, listened to someone talk about, or watched unfold into some sort of project or business, I would have more money in the bank than I do now!

My key learning in this is that it's not really about the idea that you have, or how great it potentially could be. We all have potential. We can all be great. We can all make money. Very, very, very few ideas are unique, and with most ideas there is someone somewhere else in the world already doing it..

What's more important is how you execute on the idea, and how much value you create with your executed idea.

Execution involves people, product, often money, persistence, a market to attack and it seems the best ideas have a combination of buzz and marketing better than the competition. Value means you solve a problem enough for people to want to engage with you or your product.

Good people are your most important asset, absolutely.

They're generally the largest cost to business, but more important than pretty much everything else.

1. Will you invite them to lunch with your team?
2. Would you introduce them to your Mom and Dad?
3. Would you go into battle with them?

Know what your role in the business is. Play to your strengths.

Know what your strengths are. Then recruit around that first.

This seems obvious but many people end up doing stuff they didn't intend to from the start. It's natural to try to retain control by doing everything, but you'll soon reach a point where you just can't do it all. The best thing you can do is to find people that compliment you in other areas.

Backup regularly. You've been warned.

I once lost 2 years of work and emails when a hard drive crashed on me. I've also had to piece together files and data the hard way, after not doing regular backups then doing something stupid

like deleting the wrong files when tired. We all have our horror stories...

Disks are so cheap now, and USB 2.0 and Firewire transfer speeds are fast enough to move pretty much any data at acceptable transfer rates, so there really isn't an excuse to have backups of any data you don't want to lose.

1. I recommend 2 or 3 backups (I have one disk at home, and two at work), plus a working disk (your current hard drive). Some might say 3 is overkill, but I sleep better at night.
2. If you have source control, make sure you back that up too.
3. Run daily cron jobs to backup your databases online or in the office.
4. Backup important stuff daily, especially if it changes often.
5. Do a complete backup before travelling.
6. Put stuff you want to archive onto DVD's so they're always there.
7. I've used Second copy and Syncback on Windows for years now. They're great.
8. I'm now using Rsync on Linux without a problem. I've also created bash scripts that automate everything for me which is free and works well.

Working with investors

Investors see many, many ideas every week. Why should they invest in you?

Investors hire for an A team first. They understand that an A team may start out with a B product, but should develop that into an A product., and not the reverse.

More experience investors will be giving advice, guidance, introducing people, and sharing experience; whereas less experienced ones (or accountants) tend to like control and spreadsheets.

Always communicate where you are. There is no such thing as over-communication when it comes to progress, updates and growth. Also be clear on what you want or need.

Investors will look to mitigate risks. Don't take this personally.

Building teams

Hire the best people you can first. Whilst doing that, hire for attitude, then talent.

Hire great allrounders as much as possible. They will spread the load massively.

Hire “animals” if you can (they are very hard to find) – the kind of people who work like there is no tomorrow, and their life depended on it.

Working with contractors and freelancers is a great low risk way of building a team organically, and testing people out.

General principle of business and people: if you pay peanuts, you get monkeys. Always.