



“Boot strapping” a business without external funding

Getting Started

You can't always choose your own starting point when you start a business. Sometimes it is good luck or misfortune that finds you making that life changing decision to start a business.

Even in more favourable times, finding somebody to back your venture was difficult and these days it is even harder.

Thus one route to starting a business with minimal investment is to find a niche in the local market place, which will allow you to generate a revenue stream. The market needs to be one that you want to grow into, based on your expertise or knowledge and growth possibilities if you had the investment. This is known as “boot strapping” a business. In effect pulling itself up by its boot straps.

Your goal then is to build contacts, market and industry knowledge and a business system that generates cash. This is where you learn first hand, how to get to know your market, how to communicate with it, how to bring new products and services to it and start to develop your brand whilst building a team and systems around you which can help you achieve your goals.

From experience most business owners are able to supply their products and services to the customer and with a bit of training, to produce a set of accounts using modern payroll and accounting software. What seems to be lacking and where the new entrepreneur needs help with, is marketing and subsequently sales and understanding their processes from their customers' perspective. With so many routes to market today, it can be quite challenging for the new entrepreneur to know which route(s) to take.

Most start-ups use previous contacts to get going. Most people have sufficient contacts within their industry to get started. This can be a previous employer or if that business has failed their customer list.

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Getting the cash flow going

The hardest part of starting a business without external funding is getting over the problems caused by the lack of working capital. Here the support of a partner or family is crucial so that any money generated in the business stays in the business. Slowly over time the business can then start to invest in marketing, systems and people. If a new entrepreneur is clear on their goals of aiming for larger things, there are today many ways of minimising cost whilst maximising image and exposure in the market place.

Minimising cost, whilst building a brand

For example there are a number of "virtual office solutions" which allow you to dispense with an office and plenty of secure lockups for the storage of goods and equipment. Modern smart phones become your mobile office and with a content managed web site you can write and publish marketing materials and get your prospective customers to download and print your materials. Faxes and emails can be sent direct to your phone without the customer knowing. Twitter, blogging, free global PR resources and professional and social networking sites can help you get exposure to your market and help to manage and grow your network. This can all be done on a minimal budget.

In addition, with the advent of "cloud" computing, you no longer need to be an IT boffin to have access to good reliable and dependable IT systems. These days, there are plenty of "cloud" or Internet based systems and applications so that all you and your team need, is a decent broadband link and secure access to the systems. Non geographic telephone numbers and specialist call answering services mean that you and your team can be anywhere and still take calls. Hotels have caught on to this trend and it is quite normal to walk in to a hotel near a motorway junction and find that it is very busy with all types of business meetings.

Being virtual does not mean working alone. Far from it. There is a large army of well trained, highly motivated professionals working from home, running their own businesses who can help you with any challenge that you may face. The nice thing is that they can be part of your virtual team and you only pay for what you use.

Developing the right disciplines

Initially working as a virtual company without any capital can develop good financial management skills. It allows the entrepreneur to focus on what is important, delivering great value to the customer without the chores and costs of running an office. It keeps the business focused on what is happening in the market place as there are few internal distractions.

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The key thing is that as the team grows it needs to regularly meet face to face. You can only do so much by email and phone. Every so often it is important to meet and have a chat over a coffee.

Scaling the business

Eventually, the business needs to take on office based staff. However, this can be the hub and the focus for the organisation. Minimising the overheads whilst maximising the value delivered to the customer will keep more cash in the business so that it can fund its future growth.

Going into the big time

Eventually, the business gets to the stage where organic growth becomes too slow and external investment is needed. At this stage the business will have developed a systematic approach to its marketing, a loyal customer base, all the accreditations and systems needed by larger companies to do business with it and have developed a well trained and dedicated team to support it.

The entrepreneur now has an attractive proposition to get external funding on its own terms and be able to fully exploit the available opportunities.

About the author:



Peter Dickinson has worked with over 250 businesses and organisations in the UK as a director, business coach and facilitator to help them start and grow. He is co-author of five A6 practical business basics books called, "How to create your own successful business", "How to successfully sell your products and services", "How to manage your team and yourself for success", "How to make big profits from small steps" and "How to improve your employability opportunities".

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