

# Bootstrapping : how should startups walk this path?

[Business](#)



Bootstrapping is considered a boon when the funding environment is going through a rough patch. If a business model manages to run the show without any external funding from investors, the founder/founders are not liable to part with their equity.

Zoho, which has walked the talk and has now become the poster child in the bootstrapped space, believes that money always comes with strings attached. Founder says that being bootstrapped is a liberating experience in itself.

We at Entrepreneur India asked a couple of industry experts and bootstrapped startups as to what entrepreneurs need to do to keep the show running.

Guhesh Ramanathan, CEO and Director of Consulting says, “ First comes Chemistry .. Is there chemistry between you and the investor? How do you relate with each other?”

“ Next comes the Physics .. how will the investment work? What will the investor contribute to your startup apart from just money? Last ... and only last ... look at the Math. How much are you diluting for the investment? More often than not, startup founders ONLY look at the math, and simply ignore the chemistry and the physics of the investment. That's a recipe for disaster,” he adds.

Anil Joshi, Managing Partner at Unicorn India Ventures, said that for bootstrapped ventures while having operational flexibility lacks resources for scalability and the one which matters most is investment. The entrepreneur should keep building business as long as possible but when they opt of

investment and especially when first time then following should be kept in mind:-

- *Plan well ahead of time: - investments take time hence one should plan with at least 6 to 9 months in mind*
- *Approach right investors:- while there are many avenues for fund raising but one should do their homework to ensure they reach out to right investors especially considering sectoral preference*
- *Team:- Investors prefer investing in team hence one should highlight their team strength and just not project one man army*
- *Communicate: - entrepreneur should be able to communicate the value proposition and why they are disruptive compare to others.*
- *Requirement: - entrepreneur should be able to demonstrate their fund requirement and use of proceeds, most of the time funding is not linked to milestone hence it is important to prepare well for requirement and usage*
- *Exit:- investors invest with an objective to make good return over a period of time hence exit is important and one need to visualise how investors can be given exit*

In a recent interview to Entrepreneur India, Campus Sutra acknowledged that when startups are self-funded, entrepreneurs take decisions in a more conscious manner as their personal assets are on stake.

According to data from research firm Tracxn, which tracks only investable tech-based startups, there are 19, 400+ active unfunded startups based (Head Quartered) in India.

What do they do when they need the money?

When bootstrapped startups dive into the funding zone, they often have a tough time grasping the nuances of a founder-investor relationship. It's like coming out of one's comfort zone and sharing your details with a new member. But it doesn't have to be an obligation always! Founder Chairman and Managing Director of IDG Ventures believes that an investor should always add more value to the startup and not just be the money trolley to the firm.

Wagr, which makes wearables for tracking dogs using a GPS system is currently going through a bootstrapped phase. Siddharth Darbha, co-founder at Wagr said, " Often it is said that founders should look for investors who can open doors for them, and also support their future financing rounds. While that is true, more and more, it's becoming clear that founders must look for investors who genuinely believe in their vision, and thoroughly understand their approach to following through on it. If that's made sure of, the rest of the pieces will fall into place."

While funding and getting reliable investors makes things a lot more easier in terms of networking and scaling up, going the bootstrapped way also has its perks. While most entrepreneurs have the tendency to believe that funding alone can help a startup scale up, this article is to motivate entrepreneurs to shed all inhibitions and go tge bootstrapped way!