



Bootstrapping: the independent route to attracting investors

The best way for women entrepreneurs to attract investors might be to show that they can get along without them - at least initially.

Bootstrapping – the practice of funding a company through revenues out of pocket or through family and friends without going to funding sources such as venture capital funds – was a topic of extensive discussion and questioning from 60 attendees at Foley Hoag’s second **Women in Entrepreneurship Series** program hosted on April 8 at **District Hall** in Boston’s Innovation District.

Bootstrapping drew praise from panelists **Kaitie Donovan**, principal, North Bridge Growth Equity; **Heather Groat**, investment professional, CommonAngels; and **Stacey Arrigo**, senior relationship manager, Silicon Valley Bank. **Mary-Alice Miller**, CEO and founder of mosaicHUB moderated the panel.

Bootstrapping, panelists suggested, engendered effective, focused and lean management practices and actually made these start-ups more attractive to outside funding when they sought to grow. “They’re not cowboys,” observed Kelly of bootstrapped start-ups.

Also, because they come to the table with a developing revenue stream in place and few if any existing debt entanglements, bootstrapped start-ups are seen as desirable targets by firms and funds.

For those that do go the outside funding route early on, panelist urged entrepreneurs to be on the lookout for more than money. “Understand the value of getting money and something more,” Donovan told the audience. The something more, she said, was the value a particular firm or fund could bring to the business – anything from mentoring to networking connections.

For more information about the Women in Entrepreneurship Series visit <http://foleyhoag.com/our-firm/technology-and-entrepreneurship>.

Another caution to those seeking early funding was the need to align between capital and operational strategies. Groat spoke about convertible notes that can make it “too easy” to dilute executive and founder ownership in a company. This dilution, she said, can misalign executive incentives, reducing their incentive to stick with the company through exit.

Groat, whose firm focuses on seed and pre-seed ventures, said that for those early stage entrepreneurs seeking funding discussion, it’s a target rich environment. “At our stage, we’re typically fighting to meet you,” she said.

And what are funding entities looking for beyond a profitable exit potential? In a word: fit. “Showcase who you are and what you’re about,” Groat urged, rather than trying to tailor your image for each meeting. If there isn’t a fit, she said, an honest exchange can lead to a referral to a source that would be a better fit.

There were various opinions on how funders and entrepreneurs define a good fit, but the panelists identified qualities they look for in the leadership team: passion, knowledge, confidence, humility, coach-ability and adaptability.

And what of the always looming issue of failing? According to Arrigo Kelly, attendees would do well to take a page from the Silicon Valley ethos that encourages a celebration, rather than shaming, of failure and embracing the lessons those failures can teach.

Groat agreed. She said it’s important for an entrepreneur in a failing venture to identify their personal shortcomings rather than seeking to spread the blame. Entrepreneurs who do this – learn real lessons from earlier failures – are attractive funding targets, she said, because that ability to learn and grow from mistakes represents a lower risk and the potential for investors to realize a solid return.



ABOUT mosaicHUB

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