



The Advantages and Disadvantages of Bootstrapping Your Startup

by Dennis Hammer

“Should I bootstrap my startup or fundraise?”

That’s a question a lot of startup founders have to ask themselves.

If you aren’t aware, [bootstrapping](#) refers to building a startup without outside investment. It’s when you grow your company using the revenue you generate, not with the help of angel investors or venture capitalists.

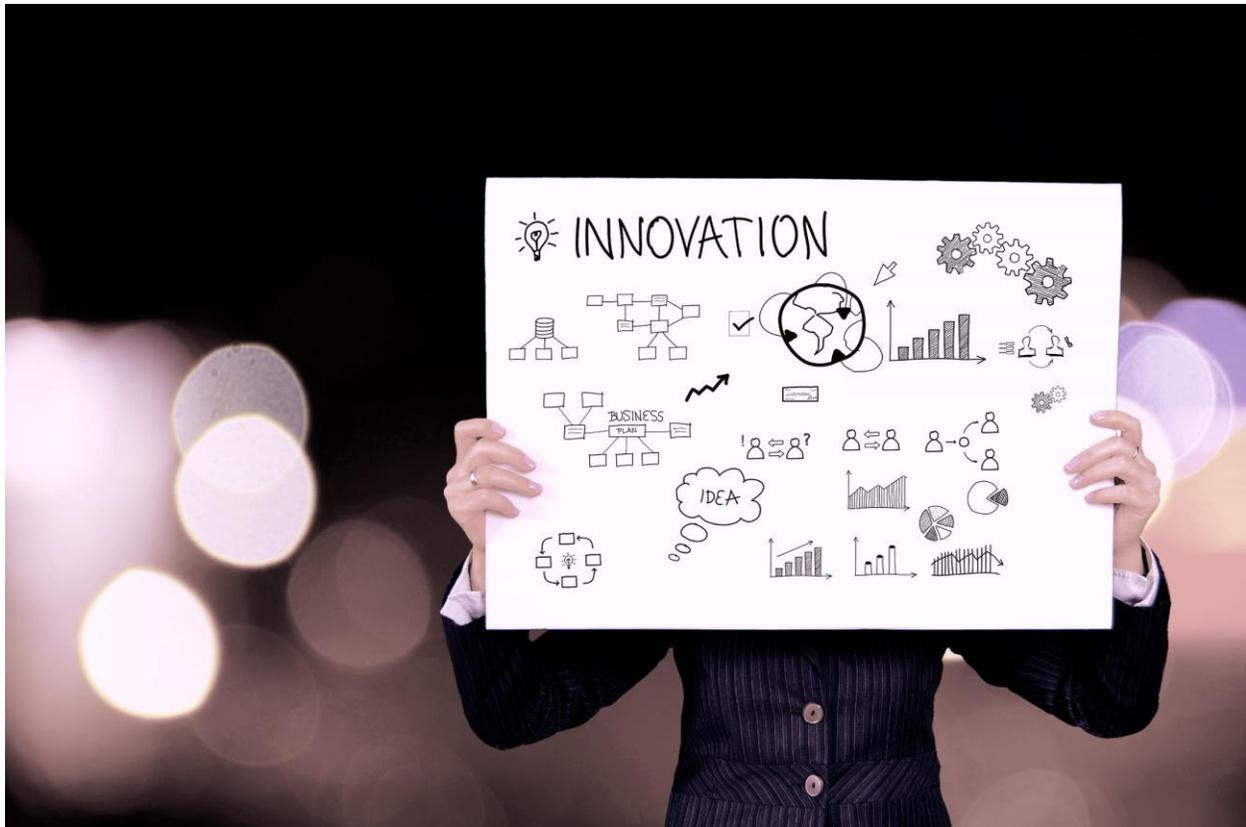
Almost every startup begins with a bootstrapping phase. Few investors will put cash on the table just for an idea. But at some point, founders have to decide if they’ll accept outside investment to ignite faster growth, or whether they’d prefer to use the startup’s resources to grow itself.

Bootstrapping isn't for every business. Some startups (like those that rely on the [power of network effects](#)) need cash infusions to get over growth humps. But many startups can be grown smoothly and organically with bootstrapping.

Whether you should bootstrap depends on your product, industry, customer, goals, and the amount of capital it takes to build a sustainable business. It's important to weigh all of these factors carefully.

Before you make your choice, it's important to know what you're getting yourself into. Let's go over the advantages and disadvantages of bootstrapping your startup.

Advantages of Bootstrapping



Bootstrapping offers a number of unique advantages for startup founders, especially companies in their early stages.

1. You Have Complete Control

When you accept cash from investors, you give them some control over your business. They may not have any authority to make actual decisions, but they at least have some soft power. They have their own goals and interests that might not be compatible with yours.

For instance, if your VC calls, you have to answer. Maybe they just want 20 minutes of your time, but that's 20 minutes you don't control. Your investors might also push you to make certain decisions, hire certain people, or do business with certain companies.

When you self-fund your startup, you only have to answer to yourself. You can take the company in any direction you wish, even if that direction isn't the safest or most profitable. You don't have to weigh anyone's interests or needs but your own.

2. You Own Everything

One of the best reasons to bootstrap your startup is to maintain complete ownership. If you build a successful company, you get to keep all the profit. You don't have to deal with layers of investors hogging the equity and diluting your shares.

3. You Don't Spend Time Fundraising

Fundraising is a *big* job. Instead of spending time and money [building a pitch deck](#) and courting investors, you can use that time to improve your product and grow your customer base.

4. You're Forced to be Creative and Resourceful

Since you don't have access to a lot of money, bootstrapping forces you to be resourceful and spend what you have creatively. You'll create innovative solutions and solve problems in unique ways. These financial lessons will serve you well even when your startup grows and you have plenty of cash to play with.

5. Customers Become Your Priority

When all of your cash comes from your customers, they become your top priority – not your investors. Your customers' wants and needs drive product development, marketing, customer service, and customer success. This helps you [find your product/market](#) fit faster and retain your customers.

6. You Have the Freedom to Pivot

Sometimes you have to change direction, but dramatic changes to your product and/or business model make investors nervous. Pivoting to a new market is easy when you have total control of the startup. You don't need anyone's approval to make big changes.

7. You'll Get a Better Valuation Down the Road

If you ever decide to seek funding, a history of bootstrapping reassures investors that your company is sustainable and that you're capable of good leadership. This can make the fundraising process easier and raise your overall valuation.

3. Your Startup Will Grow Slower

Bootstrapping means you only spend what you make, which limits how quickly you can invest in your [growth strategy](#). You may find the perfect tactic to capture new customers, but you won't be able to exploit it until you have the cash. This can be especially frustrating for founders.

4. You Can Only Afford Cheap Talent

When it comes to hiring talent, you get what you pay for. If you have funding, you can hire the best people to build your product and service your customers. But when you bootstrap, you can only hire talent that's in your price range. This might force you to deal with delays or costly mistakes.

5. You Have Less Credibility

When investors attach their name to your startup, they add credibility. This credibility can open new opportunities, help you make deals with other companies, and give customers an extra push to use your service. Without those big names, influential people and companies may dismiss you, and it might be harder to get funding later.

6. You May Not Get Paid for a While

It's not unusual for startup founders to go months or years without collecting a salary. You may not be able to pay yourself *and* pay your expenses *and* pay your team at the same time, no matter how lean you run.

Should You Bootstrap or Fundraise?

Unfortunately, there's no easy answer to that question. You'll have to weigh the advantages and disadvantages for your specific circumstance and goals.

"There is no ideal capitalization structure for a startup," [says Brewster Stanislaw](#), founder of Inside Social. "There is no one-size-fits-all answer when it comes to this. [...] Instead of determining whether you should raise or bootstrap, consider your priorities as a founder, the size of your opportunity and the market dynamics. Then make an informed choice based on those inputs."

While it's true that most of the biggest startups in the world took funding at one point, there are plenty of successful companies who bootstrapped themselves to massive growth. They did it by staying lean, exploiting every resource at their disposal, and avoiding debt.

If you need help deciding if you should bootstrap or fundraise, join the 10xU community. Our experienced members will answer your specific questions to set you on the right path. [Learn more](#).