



## Start A Business With Limited Funding (Lean Start-Up)

### Description

Starting a business with little to no funding can be very daunting, but it can work to your advantage. By little to no funding, we mean with no external backing from traditional financiers. This means starting a business from savings or assistance from friends and family.

According to FastCompany, [about 75%](#) of venture-backed companies fail to make a return on investment.

This got us thinking, if so many could fail with funding, could entrepreneurs survive with no financial backing? Applying the following strategies, an entrepreneur can start and grow a business with little to no funding.

The strategy involves carefully managing the limited cash-flows available in the business so they don't dry up. It also involves building a strong brand that demonstrates value for its clients. This helps businesses capture market share and generate revenues early, which is very important when funding is limited.

A lean start-up should;

### Have good financial management

The first rule of starting a business with limited funding is observing [the essentials of good financial management](#). Key to bootstrapping a business is frugality. As an entrepreneur, it's important to know the very basics needed for the business to run.

This is the starting point for a lean startup. It may also be necessary to return here during tougher times. The important lesson is; while it's important for a lean startup to generate revenues fast, it's even more important to ensure the most is done with the limited resources it has.

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Following the fundamentals discussed in the above-mentioned post is a good start in this direction.

## Starting a business with an MVP (Minimal Viable Product)

As already mentioned, starting a business with limited funds means generating revenues fast. This means getting a concept of the product to market early. The product should be able to meet clients' needs even if there is room for improvement.

This is the concept of a Minimal Viable Product (MVP). To launch an MVP, a business needs a lean business plan. This is a plan that outlines the basic model but gets constantly updated to meet changing circumstances. With an MVP, the business fails fast, but learns fast at the same time.

MVPs not only allow businesses to get early adopters and build revenues fast. They also allow early feedback from the market. This feedback is important for assessing the feasibility and the viability of the business.

Perfection is the death of many good ideas, but is particularly devastating where funds are limited.

## Minimize fixtures, hardware & software investments

Setting up an office can pile serious fixed costs on any business. Everything from rent, to furniture and equipment, can do serious damage to cash flows. When starting a business with limited funds, the model should defer costs to when revenues start to come in.

This means limiting costs at the start as much as possible. Additionally, once purchased, these assets have severely reduced resell value. This means if the business fails, and it may, a lot of money is lost on them.

So in addition to sticking to the very basics, businesses need to purchase assets in a financially viable manner. They should consider new models like virtual offices. We wrote a post on these [trends that have made it easier to start a business](#).

It's not always important to get assets first hand, auctions and second-hand stores offer good deals on quality used goods. Where an asset needs to be purchased first hand, a rent to own agreement spreads the cost.

When it comes to software, open source and free resources can save businesses a lot of money. Businesses can find very good options in our series on [free resources for entrepreneurs](#).

## Negotiate good payment rates and terms

When starting out, there's a huge temptation to capture a share of the market by undercharging. This could be an attempt to counter limited experience or desperation to get funds flowing in. This strategy often backfires though.

It's usually implemented to get the client through the door, and then increase prices in future dealings. Clients usually view this as an attempt to mask substandard service and not sign on.

More often they refuse to renegotiate pricing once signed on. Businesses are forced to work at these low rates indefinitely to preserve their reputation. Even more devastating, businesses agree to disadvantageous payment terms.

Under these terms, they fork most of the project costs from their coffers. If a client defaults under these conditions, self-funded businesses seldom survive. When starting a business with limited funding, two things should be ensured;

1. Competitive rates should be negotiated at all times. Businesses should be compensated for their worth
2. Payment terms should be fair to both the client and the business. A reasonable deposit should be paid at the start and milestones should be set where additional payments can be made

Covering these two basics will ensure funds are available to finance projects as they come. It also protects businesses from defaults; they don't stand to lose as much from bad debts. While it might be tempting to bend over backwards just to lend a client, it often does more harm than good.

## Minimize your salary bill

Entrepreneurs should prioritize getting paid. Serve for non-profit entities, entrepreneurs start a business to better their lives financially. A salary is, therefore, an important goal when starting a business.

If a business can't sustainably provide a reasonable salary, its viability should be revised quickly. That being said, entrepreneurs should keep a tight lid on salary costs. These usually constitute a large sum of fixed costs. When starting a business with limited funding, this can quickly put a strain on cash-flows and revenues.

The smarter option is varying costs with revenue. This includes outsourcing and having a comprehensive commission structure. The business should be considerate of its salespeople, have a basic salary that can meet basic needs. This should be done in so far as possible with the limited funds.

But beyond that, a well-motivated sales team should be happy earning from a commission. The team is

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after all brought on to bring sales, if it's performing as expected, earning should not be a problem. Provided the structure is fair, a commission will allow a business to retain a good sales team.

Not only is it good for sustainable growth, it allows the team to share in the prosperity they bring into the business. As for non-sales tasks, outsourcing is important when bootstrapping a business. It allows these non-core functions to vary with revenue as well, putting less strain on limited cash-flows.

By outsourcing, businesses don't have to compromise on quality. Hiring qualified talent can be very expensive. Outsourcing can help businesses get the best minds at a fraction of the price.

## Create real value for clients

When starting a business with limited funding, referral business can be the difference between success and failure. With limited funds to spend on marketing, having clients market on a business's behalf is an advantage.

It also means these clients will become repeat purchasers and the business can grow. In fact, building customer advocacy is nirvana for any business, but is most important for start-ups. This promised land is accessible for businesses that take the time to define what value they can provide for clients and go on to deliver.

Not only does providing value build brand advocacy, it saves on costly re-dos. Getting it right from the onset means valuable resources are not wasted on the same projects.

## Build the brand early on

starting a business with limited funds means building a strong brand early on. The web has made it increasingly easy for small businesses to build brands. Small businesses can build competitive brands that compete with industry giants. With a good online strategy, small companies can have an equal voice with industry leaders.

This branding is also very important for inbound marketing. Good content can bring clients to a business's online doorstep. The challenge is that these efforts take time.

Getting a blog that ranks well in search engines and building a community on social networks is no one day task. But the results can be very rewarding. Entrepreneurs should use the early days of their businesses to build and implement their online strategy. As soon as an idea is born and a lean plan is crafted, an entrepreneur should build online assets.

With limited clients to work on, early days are ideal for determining and injecting a unique tone into a brand. An active community builds around the business by the time it's off the ground. This could help in starting the business with the customer funded model. A business can generate early adopters from online communities who commit to products before the business is even started.

This upfront revenue can then be used to start and grow a business. An important factor is to clearly communicate the business's [value proposition](#) through the brand.

## Build the entrepreneur as a brand

Working for large organizations carries a very distinct advantage, everyone is implicitly trusted. Clients implicitly believe the engineers at Google are all good because **Google** produces good products.

They implicitly believe Google employees have a high moral standing and trust them with private information because **Google** constantly reiterates its privacy policies. When starting a business, the entrepreneur doesn't have this privilege.

Clients demand ten years' experience and a portfolio of a million projects, knowing well the business is a month old. Which understandable though because ultimately clients want value for money.

Unlike the Googles of this world, small businesses don't have the pedigree to be implicitly trusted. Luckily for entrepreneurs, small businesses are just an extension of them.

Clients don't have a belief in the business's ability to deliver, they believe in the entrepreneur. Where the entrepreneur sufficiently builds themselves as a brand, clients will follow. If an entrepreneur can demonstrate themselves to be sufficiently stylish on Instagram, it would be a small leap to being a style consultant.

The following an entrepreneur builds as an individual quickly extends to their business. This saves a lot of money on branding, advertising, and PR. It also builds early adopters and brings in revenue early on.

Plus, with the confidence clients have in the entrepreneur, businesses can charge competitive prices. This allows a business to break even very early.

## Exchange products and services

We've always advocated starting a business in what an entrepreneur is passionate, preferably knowledgeable, about. Chances are, entrepreneurs spend a lot of time honing these skills, leaving little to learn much else.

However, a lot goes into starting a business successfully, and as already mentioned, hiring may not always be ideal. Excessively outsourcing can quickly deplete resources too. When starting a business

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with limited funding, partnering services with fellow entrepreneurs is important.

Small businesses can benefit from joining communities where they can get help in exchange for what they can do. Entrepreneurs can complete important tasks without spending capital. A digital agency can get some tax help from an accounting firm in exchange for some SEO on the firm's site.

All parties involved win and move a step closer to a successful business. Many businesses are challenged with limited funding, which could benefit savvy entrepreneurs. As such, they can benefit from the better as well.

## Take advantage of free learning & get certified

Getting certified allows entrepreneurs to show they are knowledgeable when starting a business. This not only allows small businesses to attract clients early on but gives them a platform to charge competitive rates.

Certification fills the gap of having few completed projects and testimonials. It's the equivalent of a testimonial from the creator of the product or service the business is providing. We recently wrote a post on [free learning resources online](#), and a lot of these provide certifications.

Many of them are from the original creators of products, like HubSpot, Splunk, and Google. Not only do certifications reassure clients, they reassure the entrepreneur. Getting a thumbs-up from a product creator gives the confidence that the business can add value for clients.

It's an important learning experience that can iron out any challenges that could derail the brand and cost it important revenue. Through these learning experiences, small businesses can uncover additional revenue lines aligned to current products.

This organic growth is important to capturing a large share of the market and retaining clients. The product diversity will help the business in future when core products are underperforming. It's never wise to put all eggs in one product after all.

The smart entrepreneur doesn't limit themselves on the products they provide only. While it'll be impossible to complete all tasks, wearing many hats is still important. Learning the easier but important functions will help keep overheads low, which is important for a bootstrapped business.

## Conclusion

While not all business types can be successfully started with no funding, some are very possible. Even when the model doesn't work without funding, develop your minimal viable model early on. Having a working model early, no matter how raw, increases your chances of finding funding significantly.

Savvy investors invest in concepts that can be proven. Even without getting started, the model can

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escape many of [the traps of early funding](#). For most entrepreneurs though, starting a business is less about funding and more about hard work and a creative model.

Funding needs arise after starting a business. This makes it important for businesses to keep plans ready to meet these needs when they arise. However, in the short-run, it's important to get started, gain momentum and, do what can be done.

In the words of Dr. Martin Luther King,

If you can't fly then run, if you can't run then walk, if you can't walk then crawl, but whatever you do you have to keep moving forward.

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