




First Avenue  
Ventures

# The Structured Start-Up

WORKBOOK



## MODULE 14: BOOTSTRAPPING THE GAPS: CONTRACTORS AND ADVISORS, INDUSTRY EXPERTS

### TOPICS COVERED:

Essential functions of an advisory board and how early-stage companies can use bootstrapping techniques to fulfill those functions until they can have a structured board.

**LEARN WHAT  
MATTERS  
MOST**

# WHO DO YOU NEED TO HELP YOU GET WHERE YOU NEED TO BE?

“A big business starts small.”

— Richard Branson

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“Outsourcing isn’t just strategic and tactical. Once you make a move, the invisible hand gets to work.”

— Lars Gustavsson

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“Do what you do best. Outsource the rest.”

— Peter Drucker

By the very nature of the beast, start-ups start up small. In fact, many start-ups start with just one person: the entrepreneur who founds the company. However, in order for the start-up to scale, it’s essential for the founder to look to others who can bring new skills, fresh insights, and accountability to the table. At a high level, the founder needs to form an advisory board. At a lower level, the founder needs to find employees to do the work of building their business.

Advisory boards are absolutely essential for a company’s growth. Good board members individually check in with the founder on a regular – usually monthly – basis. As a group, board members periodically – usually quarterly – meet in a more structured setting. Good board members should also offer relevant domain expertise and support the company’s mission. However, finding and retaining credible, engaged board members who offer value and accountability costs money – and for start-ups, especially in the beginning, money is often in short supply and best spent elsewhere.

That doesn't mean that the start-up doesn't need to find some way to fulfill the functions of a board. A board's functions typically are to:

1. Set the organization's **strategy**,
2. Monitor the organization's **finances**, and
3. Hold the CEO/leader/founder **accountable**.

For start-ups, these functions may be easier to handle than they are for larger organizations. For instance, a start-up's business plan sets the strategy. Also, they're often self-funded; if seed-funded, monitoring is built into the investor relationship. Still, start-ups shouldn't take these functions for granted. In fact, for start-ups, these areas often require more attention: strategies confront market realities, money vanishes quickly, and sometimes an outside perspective is necessary to solve strategic and financial issues and to keep the founder accountable.

So how can early-stage start-ups fulfill the functions of a board without spending precious funds best devoted elsewhere? By following the technique used by so many start-ups in the beginning: bootstrapping. For one, you can pay service providers to fulfill some of the functions of a board. Here at FAV, we have no advisory board. Instead, we meet with a business coach once a month. She talks the team through our strategy and its implementation. She also coaches us through a SWOT analysis, which allows our strategy to change and evolve due to market realities. We do pay for this service, but the fee is reasonable and well-worth it.

In terms of financial monitoring, I meet with my accountant regularly. This is not the most enjoyable meeting, but it is definitely necessary. This meeting also helps guide our strategy, as it shows where the boat is leaking and helps us figure out how to repair it.

Lastly, on a roughly quarterly basis, a friend/mentor and I meet to check in on each other from a business perspective. These meetings afford us a mutual accountability partnership, helping us to articulate our business principals and strategy going forward. He can call me out more quickly than anyone else, and the opportunity to receive unvarnished advice from someone with a keen business mind is invaluable to the evolution of our strategy.

Of course, ideally, these three figures would be part of a formal board, convening on a regular basis to collaboratively advise us on our plans and strategies. We're working towards that, as every start-up should. If you want to grow, having a good board is a key component to that growth. It's the board that can – and will – take your organization to the next level. You can bootstrap in the beginning, but eventually you'll want and need to develop a more formal board.

The same is true of employees. Eventually, you'll need to get the right people in place to do the work necessary to move your company forward – and you'll want those people to work for you full-time. However, the cost of full-time employees may initially outweigh the benefits. As with an advisory board, in the beginning, it's often best to bootstrap your workforce with contractors.

It's important to note that this is not about business models that have prevalent use of independent contractors. Uber, for instance, is built on the independent contractor model. That may or may not be right, and it is a much more tricky legal analysis than fits the scope of this course.

That being said, here are several advantages to hiring contractors:

- They are generally cheaper than full-time employees. Although they may cost more per hour, they're still more affordable

because you won't need them to work for as many hours as full- or even part-time employees.

- They are dispensable. This may sound harsh, but it's an expected truth when working with contractors. While random terminations will, of course, lead to negative repercussions for your reputation, contractors understand that they a. have to prove themselves every day and b. are on the chopping block when things get tough.

Of course, there are things one should keep in mind when bootstrapping a workforce, especially when it comes to contractors. For one, always assume they have a capitalistic motive. This isn't bad or evil, it's just true: people are motivated by money. If you can figure out how to work with this motivation, you can figure out how to work with contractors – just don't forget that this is always at the root of their performance and their loyalty to you.

Contractors aren't dependent on you for their income, so their relationship to the founder and the company will be different. Also, you are ultimately responsible for their performance. In order for contractors to do a good job, you have to give them the information they need to do the job well. The same is true of advisors: if you're not fully transparent and forthright with them, their advice won't be as valuable. At the same time, it's important to think carefully about the value a potential advisor can bring to the company.

Decisions about outsourcing are also driven by cost. Once the company is at scale, you can afford to internalize these skills and tasks, regardless of the higher or lower skill level of your workforce. Even menial tasks can and in certain cases should be internalized once the company scales.

## CONFLICTING DYNAMIC

# QUESTIONS TO CONSIDER

**1. What gaps exist in your team or advisory board?**

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**2. What's the best way to fill these gaps? Where and how can you find people to fill them?**

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