Resources

"E" Approach to Resources

• Use Bootstrapping
• Use less and get more
• Carefully watch cash flow
• Outsource if possible
• Use OPR
  - friends, relatives, associates, silent investors
• Barter

Benefits of Bootstrapping

• Use less overall capital
• Remain flexible
• Reduced sunk costs
• Reduce risk

Types of Resources

• People
• Social Assets
• Business Plan
• Financial and hard assets

People

• Management Team
• Board of Directors
• Professionals
  - Lawyers
  - Accountants
  - Consultants

Management Team

• The MOST important asset of the firm
• Functional areas (in addition to CEO): 
  - Research and Development
  - Marketing and Sales
  - Finance and Accounting
  - General Management
  - Operations
Boards of Directors

- A board is designed to help fill in management and experiential gaps
- Board members meet 5-10 per year
- Compensation is variable from $500-$5000 per day
- Have networks of contacts
- Concerns: Liability, Time, Risk, Harassment

Advisory Boards

- An advisory board is a good alternative to a formal board
- No liability for members
- Can "test-drive" members for formal board
- Great way to get advice
- Lends credibility to enterprise

Professionals

- Lawyers
  - Incorporation, contracts, intellectual property rights, trademarks, etc.
  - You get what you pay for; use specialized if needed
- Accountants
  - Use a local firm most likely
  - Match needs and capabilities
- Chemistry
  - Understanding of software and business

Social Assets

- Work of Macmillan and Starr at Wharton
- Use:
  - Trust
  - Friendship
  - Liking
  - Obligation
  - Gratitude
  - ... to secure resources at below market prices

Business Plan

- A business plan is an asset in that it can help you to secure other assets
- It is relevant for ALL stakeholders, current and potential:
  - Partners and Employees
  - Lenders
  - Suppliers
  - Distributors
- Other supportive literature includes sales brochures, company brochures, prices, etc

Financial Philosophies

- "Cash is King"
- Use other people’s money
- Consume other resources before financial
- Watch cash flow
- Funding changes over the life of the firm
Break-Even Data (fig)

Bargaining Power vs. OOC (fig)

Financial Life Cvl. (fig)

Summary

• Resource management is a key entrepreneurial activity
• No substitute for real paying customers
  - get these first!
• Provides a means to grow the business to stay in business

end...