

Lessons from Building Praxis – Part 6

“Maybe I destroyed the game. Or maybe you’re just making excuses.” — Michael Jordan

They can do it because they got funding. You’re stuck because you need money to do all the big things necessary to grow your startup idea into a real company. If only you had the advantages they do! Of course, they have traction, because some VC took a chance on them. You can’t get customers without money!

Lies.

All lies. I had to learn and relearn this. I thought I needed money. Nope, not yet. Maybe now? Nope. Still more I can do. Now? Still no.

Don’t look for money until you’ve tapped out everything else

It takes a lot longer to exhaust all possible bootstrap growth activities than you think.

When money is not an option, you get way, way more creative. Every time you think you’ve reached a true stopping point, where nothing more can be done without money, you discover a new batch of things you can do to move forward.

I’m not for or against raising money. What I’m against is closing off your greatest asset – your work ethic and imagination – because you’ve bought the, “I can only do X with money” narrative. I’m wary of this narrative because I had to fight it. It’s a tough opponent.

My brother bootstrapped a company for seven years with no outside funding. When he went to throw gas on an already growing fire, he was able to raise \$10.2M in less than a year on great terms. It was his sound advice that tied me to the mast to resist the Siren song of fast funding.

I’m good at selling a vision. Raising money seemed an easier task than grinding out some traction. I kept thinking I’d better go raise so I could build the product the way I really wanted to, market the way I really wanted to, etc. My brother’s advice reeled me back in.

I’ll never forget it. We were sitting in my 2002 Saturn in an Isle of Palms parking lot outside a hotel where he was spending the weekend while visiting us. He said, “What are you stressed about? You have an ideal situation. You have a great job that allows you to build this thing on the side for the time being. Just keep doing that. Do every single thing you can before you even worry about the need to quit your job, raise money, etc. Not only will everything you do now improve terms for any future funding, but if you had a million dollars right now, how would you use it? You’d probably waste it. You can try stuff cheap

now, experiment at low risk, and figure out what efforts are worth more money.”

I knew he was right. I didn't want him to be right because the “Imagine all we could do with money” narrative is exciting and intoxicating. But I knew I could do a lot more before I actually ran into walls that couldn't be climbed without money. I also knew he was right about wasting it. If I had a million dollars to start Praxis, I shudder now to think of all the ways I would have misused it. I needed small victories under my belt before I took any big swings.

Not only does bootstrapping as long as possible mean you get more creative, figure out what gets traction, and improve future terms, it also means you have more skin in the game. This is an important incentive structure. The more you are playing with your own resources, the sharper your decisions. Milton Friedman famously described the four ways to spend money and the level of care with which you'll act in each case. You're the most prudential spending your own money on yourself, less spending your own money on someone else, less spending someone else's money on yourself, and least of all spending someone else's money on someone else. The longer you can incentivize the wisest form of spending, the better.

Outside funding isn't evil. It's wonderful and can be necessary. I ended up raising an Angel investment just nine months after deciding to build the company. Paradoxically, it was only after I firmly committed to building the company without funding that people began to take notice. I didn't seek the Angel investor, he sought me. Why? Because I had a bit of buzz and traction. Buzz and traction I wouldn't have if I'd spent those months chasing funding instead of trying to get my first customer. I was building the company, with or without money, which made the prospect of investing attractive. People want to invest in momentum, not just ideas. I wasn't bluffing. Praxis was going to keep moving, money or not. That commitment was necessary.

Every time I thought I was out of steps and needed money, I refused to let myself give in to the narrative that money was my only move. I'd ask myself, “If money wasn't an option and would never be an option, what would I do?” There was always something.

Maybe well-funded start-ups destroyed the game. Or maybe you're just making excuses.