

170 Systems: A Bootstrapping Story

Karl Büttner, Co-Founder

ENET 11/13/2012

About Me

- Karl Büttner, Chief Mentorship Officer, MassChallenge, Inc.
- MassChallenge
 - The largest startup accelerator and competition in the world
 - Accepts 125 startups each year into a 4 month accelerator program (1,237 applied from 35 countries and 36 states in 2012)
 - Providing startups with the resources they need to succeed (mentorship, educational sessions, networks, free office space, \$1M in cash prizes)
 - Any type of early-stage startup in any industry may apply (for profit or non-profit)
 - Applications for 2013 season open in the new year!

My Background

- MIT (Computer Science) 1987
- Oracle Corporation (Consultant) 1987 - 1989
- Delphi Technology, Inc. (Co-Founder) 1989
- 170 Systems, Inc. (Co-Founder) 1990 - 2009
- MassChallenge, Inc. 2010 - present

170 Systems, Inc. Timeline



- 1990: Founded (3 Co-Founders)
- 1990 – 2002: Bootstrapping (no outside investment)
- 2002: Took VC investment
- 2009: Acquired by Kofax, LLC
- Present: Products & services continue worldwide
 - *Financial Process Automation & Optimization*

What we did while bootstrapping (12 years)

- Global 1000 customers using our products in > 90 countries worldwide
- The leading vendor in our space
- Doubled revenue ~ every two years
- Profitable
- Amazing, loyal employees (close to zero turnover)

Why we started the company / What we wanted to do

- Build a software product company
- Experience the building and running of a company

Why we decided to Bootstrap

- Maintain control
- Maintain ownership
- Learn by doing it ourselves

How we financed our company & growth

- Consulting paid the bills initially
- Supported the development of basic products

Challenges of hybrid product & consulting strategy

Very tough balance:

- Too much service: never get to build products
- Too much product: can't pay the bills, you're gone!

Other challenges of product & consulting strategy

- Maintaining IP ownership
- Maintaining focus
- Potential for de-focusing/disconnecting team members from each other

Other financing / cash flow techniques we utilized

- Fixed-price on consulting (“value-based” pricing)
- Careful / aggressive payment terms (i.e. shifted in our favor)
- “Debt auctions”

Deciding to take VC investment

- Big opportunities continued to present themselves
- Tired of always hiring behind the curve
- Operating without a cushion getting riskier as we got larger and larger
- Looking for additional expertise/advice to help us avoid likely common mis-steps

After the VC investment

- Company continued to grow/expand successfully
- Sold successfully to Kofax LLC in 2009
- Products, services & customers continue as a major part of merged company today

Bootstrapping Lessons Learned

- It is possible to Bootstrap
- But it's hard, hard work!
- A long road in our case – but part of the original goal was the journey, the experience
- We learned a frugal lifestyle that kept us spending wisely even after we took VC investment
- Bootstrapping DOES NOT need to mean figuring everything out for yourself
 - Leverage Mentors & Advisors!

Bootstrapping Lessons Learned (2)

- Hiring behind the curve can be a tough consequence of Bootstrapping
- Being tough on cash flow / payment terms with customers is possible if you have something valuable enough for them (and find the *right* customers)
- Controlling your own destiny (i.e., without investors) doesn't actually mean you have total control of your company or your life
- Toughest competitors may not be the biggest ones
- Starting a company in a recession can be a great thing

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