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# Financial bootstrapping and venture development in the software industry

Richard T. Harrison, Colin M. Mason & Paul Girling

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## Notes

2. It is in [this sense](#) that the concept of social capital is relevant in terms of the role of the entrepreneur as a social actor ([Gartner, 1998](#)) in their exemplar venture. The entrepreneur's social capital refers to the resources available to the entrepreneur through the network of relationships that the founder(s) of entrepreneurial ventures.

3. Non-ICT firms in the industry are those with a significant ICT input into other operations (such as banking, accountancy, public agencies), and have been excluded from this discussion (NISIF [2000](#)).
4. For example, in software product development, manufacturing costs are low (and often out-sourced overseas – O'Malley and O'Gorman [2001](#)), while R&D and marketing costs are increasing rapidly. Even by 1994, Microsoft was reporting R&D expenditure equivalent to 13% of revenues and marketing expenditure of 30% of revenues (Niosi [2000](#)).
5. As the experience of the rapid increase in venture capital investment in the late 1990s, and the subsequent collapse in technology markets after 2000, suggests, the US venture capital industry erred in the opposite direction and became over-exposed to technology investments.
6. The Massachussetts survey was undertaken in 1994/1995; the Northern Ireland survey was undertaken in 1996; and the smaller scale survey in South East England was undertaken in 2000.
7. These specifically fall into the category of bootstrapping represented by the acquisition of financial resources directly without incurring the cost or other obligations of conventional debt or equity instruments. As these 'soft' funding sources carry no cost of capital, they are often described as 'free' funding. This is a misnomer, however, as the business owner must bear the cost of the funding in terms of the opportunity cost of the resource.
8. Equivalent to the measure used in the NIOSIF survey for this purpose.
9. Defined as the number of employees in the sample.
10. NIOSIF sample of 1000 firms in the South East of England.



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