 by SUZANNE McGANN

Owners must weigh risks, return when building firms

RUNNING A BUSINESS is like the game of Risk. It requires strategic investment of your revenue, smart resources to grow, and a keen eye on the business operations to maintain the company's direction.

Particularly with a young enterprise, it is difficult to know where to invest in the company when everything needs attention. This is risky business, especially when it involves increasing staff. It is just as important to know how to ride out the peaks and valleys of growth and pull back when necessary.

In 2003, Voyageur I.T. dedicated a significant amount of its revenue toward a series of new sales and marketing strategies to spur growth. Some of the strategies worked while others did not. Overall, however, the results outweighed the risks and Voyageur is now poised to open a second office in Denver near its eighth anniversary in July.

Here's what worked and what didn't, and cost vs. return:

• Investment in new branding strategy. Our marketing materials were outdated and needed a new image. We created a new brand logo that reflected the company's personality, developed stationery, presentation folders, mailing materials, business cards and promo cards and a redesigned Web site to the tune of $15,000.

The return: A more consistent, recognizable brand image that reflects who we are and sets us apart in the marketplace.

•Added a director of sales to focus specifically on generating new sales. The cost of a new hire increased our payroll by 20 percent.

The return: While sales grew, the benefit did not justify the cost at this stage of our growth. Furthermore, as business partners, David Peterson and I realized that in trusting the new position's success, we both had become sloppy in monitoring the business revenue streams. At this point, both of us regret that we let decreased sales activities and high costs run amok for a few months before we got assertive at regrouping (which in our cases, is about David and I performing top-level sales and project management.)

[tips]

1. Seek feedback from active customers, and incorporate what you learn into business planning.
2. Watch out when adding a top-level sales position. The owners still need to take an active role in pursuing revenue streams.
3. When your company expands to another city, costs rise exponentially for everything from travel to telecommunications. There is little room for error in revenue projections.

• Investment in public relations. This function was implemented on a six-month trial basis to increase our visibility. We designated 17 percent of our marketing budget to a public relations plan.

The return: We increased our sales by 6 percent. Another benefit, the public relations plan/relationship has created an avenue for me to conceptualize bigger plans and recharge the energy of marketing and sales from time to time. Additionally, the "buzz" that comes from decent press can add momentum to networking circles — leading to other diverse opportunities.

• Investment in a customer retention plan.

Voyageur invested 10 percent of our marketing budget to a customer retention plan that involved the following: Hiring an out-sourced professional to research our competitors, interview the two owners of Voyageur, interview the top accounts in our business, and then report back information and present retention strategies for renewed business.

The return: About 30 active accounts were interviewed — most in person. The feedback was very valuable for our business planning. Additionally, the retention interviews provided another opportunity for Voyageur to show our concern for our customers.

• Investment in research and development of Colorado office.

Expanding to a new market means researching the business climate, creating national networking opportunities that lead to Colorado referrals, and generally being more aware of business niches that are suitable for dual-state offices. This has involved a lot of my time researching online sources, business reading, James J. Hill Library in St. Paul list work, networking with colleagues, and brainstorming within Voyageur.

Overall, the company invested 14 percent of our earned 2003 revenue in these strategies. Voyageur has not yet seen a return on this investment, but expects to by the end of 2004.

We are also facing the first risk in 2004 — the cost of expansion vs. the uncertainty of return. Even as new business is coming in, the expense of getting a second location up and running is growing exponentially. With the second office comes rent, travel, telecommunications (between offices) and marketing expenses. Voyageur I.T. has set aside approximately 40 percent of cash flow to get the location up and running. There isn't much room for error if sales are lower than projected expectations.

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— Suzanne McGann, Voyageur I.T.

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Based on our research and early marketing and networking efforts, we expect new business almost immediately, particularly in a few niches where Voyageur has a national presence. Plans are to reinvest new revenue quickly to augment growth.

In order to ride out the uncertainties during this process, we put the brakes on our other marketing strategies, and are refocusing our energies on what we did best from early on — sales and service. In the heyday of growth, we had taken our eyes off of those functions too soon, and therein lies another risk in the game: knowing when it's okay to let go of some of the business operations. Our plan is to jump back on the aggressive "expansion" course when our numbers are back on track with our projections.

Partners count

One final note on risks in business: Companies can rise and fall on the relationship between business partners. Different management styles, opposing stratagems, and financial wrangling can derail the soundest goals. While the majority ownership at Voyageur I.T. is 51/49 legally; emotionally it's 50/50. We also have built-in gender differences that have to be worked out in business.

We've implemented a "call-a-day" routine when it's hectic to help us stay in tune while we are each managing a different location. Most importantly, we've learned how to talk about the Voyageur I.T. business in its entirety without fear of conflict. Sometimes you have to criticize an action, thought, or expectation. Additionally, each partner has to celebrate the other's success — even the little ones — that are occurring simultaneously to "bigger" things.