

NICE WORK, EVERYONE!



# Virtual resources can augment real companies

**CEOS INTERESTED** in launching or growing a business should consider what I call a partner-based virtual business model. In this model, CEOs are free to focus in the areas where they excel, leaving less compelling tasks to partners, Internet-based technology and well-chosen business consultants.

Take raising money: you won't need

nearly as much with a virtual rather than a traditional business model.

We're used to fledgling entrepreneurs spending months or years seeking rounds of venture capital, searching for and hiring seasoned managers, buying equipment, lining up suppliers and hiring employees. Once all that was in place, a product might actually be produced and

shipped — assuming the company also had sales and marketing staff on board.

It is a slow, expensive, high-risk proposition.

With innovative use of the Internet and outside partners, an entrepreneur with a sound idea can assemble a virtual company and be in business more quickly than before. The connectivity of the Web

## [tips]

Here are some functions that owners can automate:

- 1 | Sales force acquisition and management.
- 2 | Order placement and order fulfillment.
- 3 | Manufacturing and shipping of products.
- 4 | Accounting and other administrative functions.
- 5 | Customer service and product repair.

allows companies to acquire and manage a sales force, assemble products and fulfill orders, and manage accounting and other administrative tasks — all at less expense than these functions traditionally cost.

The founders of Round River Research Corp, a start-up Minnesota-based alternative medicine company, estimated that it might cost several hundred thousand dollars to set up an extensive sales network. Those costs will be reduced substantially by using the Web to solicit a sales force.

The system will check the aptitude of applicants early in the process, requiring them to submit a sales plan as part of their application. By using the Web to weed out unqualified candidates, the company will save time and avoid wasting human resources personnel to manually screen applications.

Once sales people are chosen, a customized system of Web portals can be developed to allow agents to place orders, report their progress directly to the company, request additional sales tools, track new leads and the status of current customers, and receive product training. The Web gives agents extensive autonomy and control over their daily schedules, something that appeals to most independent-minded sales types.

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### More virtual options

Credit and payment processing also can be handled through a virtual accounting model. No need to staff an accounting department, or even contract with an outside accounting firm. With firewalls and processes for secure online transactions in place, companies can invoice customers, receive payments and reimburse partners automatically and accurately.

Forget hiring and ramping up your own manufacturing, service and product distribution operations. Instead, use the Web to link up with outsourcing partners. These partners can source and procure

launch a virtual business model.

Still others realize that building a company using virtual resources takes heavy lifting. Owners who consider it may find shortcuts and cost savings, but of course no guarantee of business success.

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— Nick Eian, Endurant Business Solutions

parts, as well as handle subassembly, manufacturing and shipping. The good ones also can supply service, repair and customer care functions.

The Berquist Co. in Chanhassen provides engineering and other resources for Round River Research. To keep upfront costs down, product development and prototyping fees are built into the final product cost.

Perhaps the most notable benefit of a virtual business model is its impact on the bottom line. Depending on your partnering strategy, going virtual can mean you'll have a positive cash flow because you don't have to pay for a product until it's built and the customer has placed an order. This works equally well for a fledgling startup as for a mature company seeking to enter new markets.

Why aren't more startups and growing companies embracing the virtual business model? Many don't realize it's possible today. Others are intimidated by the technical savvy that's required to develop and

One added benefit of the model: Entrepreneurs and CEOs don't need to possess all the skills themselves. Those launching a business, or a new business unit, should focus on doing the things they do best, leaving the rest to specialists and a reliable electronic business infrastructure.

Still not convinced the virtual model is viable? Consider the comments of Round River Research CEO Dan Cohen: “The new business I'm currently driving has no full-time employees, no company office and no company telephone. But it does have a number of outsourcing partners, a Web presence, a finished product with patents pending, a second-generation product in development, goods in inventory, and we've begun to make sales.

“The total investment has only been about \$100,000. There are no investors, no foreseeable need to have any, no desire to go public and no future sale of the business is anticipated,” says Cohen.

Cohen's is a virtual approach that yields real-world results.