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Virtual businesses have some real challenges

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IT didn't take long for Brenda LaRose to encounter one of the biggest challenges to owning a virtual business -- getting a bank loan.

A virtual business is basically any business which doesn't require a traditional corporate office or store-front presence. A good example would be a home-based business which sells exclusively over the Internet, or LaRose's Higgins International, Inc., a local executive search firm which has about a half a dozen employees, but they all work out of their own homes and stay connected via computer, telephone and fax machine.

A few months after launching Higgins International in 1999, LaRose asked her bank for a small line of credit to keep the company operating until a substantial cheque arrived from a client.

Although she'd been doing business with the bank for years, the loans officer didn't like the fact she wasn't paying herself a salary and her business had little in the way of physical assets to use as collateral for the loan. So it refused to lend her money unless her husband co-signed for the loan -- a condition she felt was unjustified.

Fortunately, LaRose found another bank that wasn't so worried about her company's lack of assets and gave her all the money she needed. But the experience opened her eyes to some of the added challenges her venture would face because it wasn't a traditional-styled business.

Mary Jane Loustel, chief executive officer of the Women's Enterprise Centre of Manitoba, said virtual businesses can also have a harder time establishing relationships with clients, suppliers or business partners because they may not be familiar with how virtual businesses work and are leery about dealing with them.

LaRose said some also don't take you seriously if you're a home-based or virtual business.

"It's only really become more widely accepted in the last three or four years," she explained. "When I started, it was, 'You've got to be kidding! She'll never last.' "

Isolation can also be a problem for the owner and employees when everyone works out of their own homes, Loustel noted. The same goes for maintaining a proper balance between your work life and your family life.

But there are ways to overcome these challenges, she added, and the growing number of virtual businesses in the marketplace is proof of that.

BRENDA LaRose figures if she does her job well, she'll never be out of work.

LaRose's company specializes in recruiting candidates for senior management positions such as CEO, president, vice-president, or company director.

Because 90 per cent of its business comes from outside Manitoba, Higgins International not only competes against local executive search firms such as The Harris Consulting Corporation, The Bowes Leadership Group and The Caldwell Partners International, but against firms outside Manitoba, as well.

"But there is so much business out there in this industry because of the shortage of skilled people in the workforce," LaRose said. "So, if I'm good at what I do, I'll never be out of work."

To try and differentiate herself from some of her competitors, LaRose has specialized in recruiting certain types of business leaders, including aboriginal, engineering, gaming industry and financial industry executives. Her theory is that it's better to know a lot about a few industries than to know a little about a lot of them.

Specializing in the recruitment of aboriginal executives was a natural fit for LaRose because of her own Métis background and her extensive contacts within the aboriginal community. It's also proving to be a lucrative area for her firm because of the growing number of businesses and organizations that want aboriginals on their executive team and in their boardrooms.

Speaking of boardrooms, the recruitment of directors is another fast-growing segment of Higgins International's business.

LaRose said she's able to land a lot of work outside Manitoba because of her extensive contacts in the Canadian human resources and executive search field.

IT was a disagreement with her boss that prompted Brenda LaRose to launch her own executive search firm.

It was 1999, and she'd developed a lucrative niche business for her employer finding work placements for aboriginal professionals. Then one day the owner of the firm

called her into her office and told her it wasn't good for the company's image to have native people waiting in the reception area.

LaRose was so upset, she quit and started up her own firm so she could continue pursuing this burgeoning segment of the executive search/human resources market.

LaRose, who was born in Winnipeg but grew up in Regina, admits those first few years as an entrepreneur were challenging, as she tried to develop her business, juggle the needs of two teenage sons, and complete the university courses she needed to obtain her human resources designation.

"I think I had three or four days off in that first year, and that included weekends," she added.

But all those 14-hour days paid off, because within a year she had four full-time and several contract employees working for her, and business coming in all over the country.

Although Higgins International initially offered both executive search and human resource consulting services, it was the executive-search side of the business that LaRose most enjoyed and that generated most of the company's revenues. So she eventually got out of the human resources consulting business to focus exclusively on executive searches.

She said it was one of the smartest things she's ever done.

"It alleviated all of my stress and increased my bottom line."

She says her sons will probably take over the company eventually.

LOUSTEL and LaRose agree having a strong business plan is one of the best ways of easing a lender's concerns about lending money to your virtual business.

Loustel also recommends waiting until you've secured a couple of contracts before approaching your banker. She noted virtual businesses can often afford to do that because their startup costs aren't as great as those of a traditional business.

If one lender turns you down, keep looking until you find one who's more receptive, Loustel added. And don't forget to approach non-traditional lenders as well, such as the WEC, the Business Development Bank of Canada, or the Community Futures Partnership of Manitoba Inc., or to tap into some of the government grant programs available to small businesses. The Canada/Manitoba Business Services Centre is always a good source for information.

Networking is usually an effective way of finding new clients, suppliers or partners, Loustel said. So get out and join your local chamber of commerce, a networking

group or an industry association.

She and LaRose are also big on networking as a way of ensuring you don't become too isolated.

She said isolation has never been a problem for her because she has clients all over the country and that means lots of travelling. But she's also made a point of getting involved in a number of local organizations.

As for maintaining a proper balance between your work life and your family life, LaRose suggested setting aside blocks of time each day for your family. She also advises having a separate room in your house as your work area.

Other home-based or virtual entrepreneurs can also be a valuable source of information about how to find that proper balance, Loustel said.

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