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Is a virtual business for you?

By Stan Tyler

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Virtual organizations are used by Austin area business owners for many reasons: boot strappers keep costs low and maintain control and a bigger slice of the pie, working from home for lifestyle reasons, as a first step until a brick and mortar presence is needed.

In our research, we spoke with two owners of virtual organizations. Both are small organizations using little or no brick and mortar facilities and using a distributed work force connected through technology.

On Time Transcription Company, OTTC is a medical transcription service company that was founded by Lakeway resident, John Haugen at the end of 2001.

"We made our first sales and collected our first revenue mid 2002. We have been profitable and self funded since the end of 2002. We have 75 customers. They are all medical facilities ranging from single doctor offices, specialty and multi-specialty clinics, hospitals and nationally known teaching institutions.

We transcribe for over 400 physicians and other medical professionals working in all medical and allied health specialties located in 14 states.

Our transcriptionists are located in 25 states in the US, Canada, France, the Philippines, Indian and Australia.

We do not have an office and all employees work from their homes. Production management is in Indianapolis, quality assurance in Ill., help desk covered from Springfield, Ill., Cincinnati, Ohio, and Milwaukee, Wis. We have sales representation in Chicago, Milwaukee, Cincinnati, San Francisco, New York, Baltimore, Austin and Dallas. We plan on adding three to five new reps next year and will add 50 new transcriptionists. We will manage this organization with the same key management people who are place now."

CB - OffAssist is a fully insured certified virtual assistance firm owned by Austin resident Candy Beauchamp.

"We provide virtual administrative solutions to busy executives to free them up to do the work they love to do. We specialize in bookkeeping for small and medium-sized businesses.



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OffAssist has two full-time employees and several sub-contractors. We are located in Austin, Texas but have clients from all over the world.” OffAssist opened its doors in 2002.

Candy Beauchamp, the owner of OffAssist, sits on the Executive Board of Directors with the IVAA (International Virtual Assistants Association).

Questions and Answers with John Haugen and Candy Beauchamp.

What were your goals for forming or transforming into a virtual organization?

OTTC: Keep overhead low. I felt that technology would enable me to eliminate the need for office and infrastructure; that in the transcription industry it was not necessary for production, quality assurance and sales to be physically in the same location to be able to function as a cohesive team. Technology has provided the kind of connectivity, shared information and communications that enable people to work as a team in a virtual environment.

CB: We wanted to create an environment to allow us to work most efficiently with clients and still be “out of their way.”

The beauty of working virtually is two-fold. For the client, it allows them to outsource administrative duties to a subcontractor. They don't have to provide a physical space for an entire department. They don't have to worry about paying taxes, insurance, etc. for an employee. It frees them up to do the work that they are meant to be doing. For us, it allows us to be at our most efficient. We don't spend any time driving around, waiting on the client, losing time due to “water cooler” talk or finding a space in the client's office to do our work. All of our informational materials and books are at-hand in our office.

We help clients bring balance to their work and their lives. We wanted to be able to do this and educate the potential client that outsourcing their bookkeeping needs virtually was a very viable option in the business world today.

What challenges did you anticipate in using the model?

OTTC: I anticipated that the dependence on technology would require an extraordinary amount of trust and competence on the part of all of the company's key people and suppliers. This has been the case and we have been fortunate to have selected the people who have the independence, intensity and warmth to make these types of businesses work.

CB: The largest challenge we laid out in our business plan was reluctance of business owners to outsource a function that many see as crucial, their bookkeeping. We spent a great deal of time going over this to allay fears of the client. Interestingly enough, this has not been an issue. Clients do ask about security, but once we explain what security procedures we have in place, it is not a problem.

How well has the business model worked for you?

OTTC: The model has worked extremely well. We have built a company that is annualizing at 1.5MM, growing at 100 percent per year and retaining 95 percent of our customers. We have three full-time employees, three part-time help desk professionals, eight straight commission sales people, 70 contract transcriptionists, and I feel we are structured to grow to 5MM without any significant increases in overhead and without a decrease in service to our

existing customers.

CB: Our business model has exceeded our expectations. A lot of time and effort was spent in the development and research phase. We have far exceeded our revenue projections as well as the acceptance level from business owners.

Joining the IVAA (International Virtual Assistants Association) has really been a boon for us. Because all of the members of that non-profit organization are virtual business people, we are able to see first-hand what we are doing that works for others, what we might do differently as well as sharing our knowledge.

What challenges did you not anticipate?

OTTC: We operate our business out of Austin 10 months a year and Colorado the other two months. We did not anticipate how difficult it would be to pick the business up and move it back and forth. Telephone, satellite communication, planning and managing from a new location every summer has taken some adjustment. We view it as a lifestyle price to pay and this summer will be our third time.

When you manage a virtual company you are dependent on the help desks of ISPs, (Internet Service Provider) telephone companies and cell phone companies. Many of these suppliers need improvement in their service.

Another challenge that we did not anticipate was how difficult it was to get sales at first and that each new locality presented the same sales start up challenges. We found that many good salesmen could not sell our product because they were not able to deal with a virtual product. Many of the initial people we talked to about representing us were used to tangible products and did not have the computer skills to show our product with the ease that it operates.

Another problem that we did not anticipate was the need to have local representation. Customers still need to see someone from the company face to face occasionally. Many virtual companies try to make technology do what only humans can do. This is a mistake and can prove to be "penny wise and pound foolish."

CB: Because we are virtual, we have clients all over the world. One of the biggest challenges we did not anticipate was getting the computer files from the client. Some of our target clients didn't understand the process of emailing a file or didn't know they had size restrictions from their ISP. We overcame this by providing a "filebox" on our website that allows clients to upload their files in a Windows-familiar environment.

We considered implementing remote programs, such as GoToMyPC for clients that use special software, this works well; however, this does not work for the average client that does not want to give up using their computer while we are working on their information.

Does the model create any perception problems with prospective or existing customers?

OTTC: The virtual model has not created perception problems in our industry. Transcription has always been dominated by outsourcing and 1099 contractors working out of their homes. We have actually found that prospects and existing customers are excited about our ability to do what we do in a virtual company. In a word they think it is cool and like being a part of it.

CB: Again, bookkeeping is a crucial and highly confidential function of most businesses. All clients are concerned about what happens with their data. We have procedures and other security measures in place that protect their data from destruction and theft. Most clients feel more than comfortable with this and we are able to move forward in the proposal phase.

What are the key success factors for a virtual business?

OTTC: Key success factors. One, a good technology partner. Our Application Service Provider (ASP) initially acted as our help desk, ISP host, email server and sales lead generator.

Two, cash flow and good bookkeeping. It is important to cause your customers to develop good payment habits and to know where you stand financially at all times. Three, controlled growth. We have had some large opportunities for growth that may have caused us to fail if we had gone after them too aggressively. Small companies must grow at a pace that their people can keep up with. When large opportunities have presented we have priced and promised what we could deliver, and no more.

Another thing that virtual/technology companies make a mistake about is expecting technology to do everything. Technology may have unlimited capability but you and your people do not. People sometimes get carried away with what “could be” rather than concentrating on “what is”. We like our customers to get excited about our technology but try not to get too carried away ourselves.

CB: I think the biggest key factor is the knowledge of technology. If you don't understand the technology you are trying to use, you cannot be successful. We still spend time each month researching where the technology is going.

The second, is a common mistake all business owner make, no matter if they are virtual or brick-and-mortar, and that is not writing a business plan. A business plan is of the utmost importance for any business owner. The first thing I tell anyone wanting to open a business is to spend time (and a good deal of it) writing a business plan. Buy software to help you, find something online or organize it yourself, but spend that time and make that effort. I still review and revise my business plan each year. It's a good reminder of why you are in business, what your goals are and what your plans are to attain those goals.

Are there any common traits that are needed in a distributed workforce like yours that are unique to a virtual organization?

OTTC: I don't think that virtual companies are unique and remarkably different in the traits required than other more traditional companies. Some people need to have physical contact with others. Obviously they do not belong in a virtual organization.

In a virtual company key people must know their jobs, be able to work independently and have a sense of ownership and pride in the company. I think the boss has to send very clear signals and be unambiguous about the company values. In a virtual company you cannot rely on the impact of your physical presence and must pick the right people and serve them. I think boss as facilitator, listener, servant, helper, etc. is a good attitude.

Very seldom do I or any of my key people have to use authority, be demanding or be pushy. When we do, we have to get the result we want or we must make changes. One cannot permit bad processes to

continue and cannot rely on people in the field to cover for poor quality. There are no small problems.

CB: Personal Drive. Most virtual business owners work from a single-person office. It takes a special someone to run a business; it takes an extra-special someone to run a single-person business. It was just me in the beginning and it can be a lonely and daunting task (and it's entirely too easy to go home for the day or play Solitaire). Without that drive to succeed, it will never come to fruition.

There are now two of us full-time in the office and several subcontractors. And yes, there are still days I want to throw up my hands and head for the Solitaire, but it's that personal drive that keeps OffAssist trucking.

One of my largest clients is actually entirely virtual (and world-wide!). The most common trait among all of us is our ability to communicate our needs effectively through email communication. If you cannot get your point across through email, opening a virtual business may not be the right choice for you.

Resources:

<http://www.ottc.biz>

<http://www.offassist.com>

<http://www.ivaa.org> (International Virtual Assistants Association).

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