

Stonegate Growth Strategies: Found in translation

TODD NELSON, Star Tribune

For some small-business owners, financial statements might as well be written in hieroglyphics.

For business consultant Sam Zordich, though, even a thorough understanding of the numbers wasn't enough. What she wanted was a way to use the numbers to help client companies with what typically is their most pressing concern -- growth -- while reducing the risk usually involved.

"I needed to understand if I were going to grow the company what the costs were going to be and what the risks were, and then what was the potential upside," said Zordich, CEO of Stonegate Growth Strategies in Golden Valley.

"Although I've worked with brilliant CFOs, controllers, CPAs and tax accountants, I never seemed to be able to get the forward data that I needed."

Zordich searched in vain for a solution. She even went back to school to get an MBA, hoping to find the answer there. Then she set out on her own to find an answer, and began developing and testing models.

Eventually she found a way of "combining the break-even and the cash-flow statements, the income statements and the balance sheets around activity" -- things like hiring, adding new products or services, making acquisitions or buying equipment.

A road map for growth

She arrived at what she calls the Rosetta Entrepreneurs program, a customized, hands-on tool that she says offers companies a road map to grow and make critical decisions with greater confidence. The program is the namesake of the Rosetta Stone, the ancient artifact with carved text in Egyptian and Greek that enabled scholars to decipher Egypt's hieroglyphic writings.

"It's a training tool for operators, presidents or anyone who's involved in a company up to \$8 million in revenue," said Zordich, referring to those that likely aren't big enough to have their own CFO. "It gives them a look at how to use their financials from an activity standpoint. If they add inventory or salespeople or make any investment in daily operations, they can see what it will do, how it will change their break-even. So they know if they make an investment how much sales they need to make to recoup that investment."

Zordich owned and managed a number of companies before she went into consulting in 1999. She also is a teacher in the FastTrac Growth Venture course in the Center for Business Excellence at the University of St. Thomas.

She has used Rosetta to analyze Stonegate's clients for years. It also shows companies how they compare with industry standards.

Stonegate, Zordich said, is a group of fewer than 25 independent consultants who, like her, have owned and run companies and have advanced degrees. She estimated that Stonegate will have consulting engagements with 48 companies this year.

Uncovering the differentiator

In almost every case, Rosetta has uncovered a competitive differentiator for a client company, Zordich said. One example she cited involved a value-added distributor that learned that customers didn't want the services it provided.

A closer look at operations found that the company was paying too much for its product, Zordich said. The only way to bring down the cost, the manufacturer told the distributor, was to make it himself. So he did, lowering his costs and cutting waiting time for the product.

"Now he assembles it all in-house," Zordich said. "That became the differentiator. You can just walk in and buy it right away. The model shifted for his entire business."

Zordich now is looking to Rosetta to distinguish Stonegate. That means transforming a program that has been an internal tool into a product that can be sold.

Zordich said she is looking into getting investment capital to finance the automation of parts of the labor-intensive program. She also would need to develop a website where companies could access their Rosetta reports, enter their own numbers and see how various growth options would play out. She also foresees needing to produce webinars to train clients to read financial statements.

Licensing the program

Two large financial services firms have approached her about possible licensing deals, Zordich said.

The firms "want to offer this under their brand to their customers and use it as their differentiator, which I certainly think is a cool idea," Zordich said. One asked how soon she could have it ready for 10,000 clients; she was thinking he might have something like 200 to 400 in mind.

What Rosetta customers will get is something like a running score for how their companies are doing financially, said Judy Grundstrom, managing principal and owner of Inland Office for Tomorrow's Architecture (IOTA) in Minneapolis.

"I'm a business owner," Grundstrom said. "I'm playing the game. Sam and Rosetta, she can show me what the scoreboard is saying so I can play the game. I can't sit and keep score and play the game."

At Lighting Masters, which distributes lighting products and designs lighting plans for businesses, owner Tom Kieffer said that, before Rosetta, "I never had anything in my background to understand what my books were telling me about my business."

The road back to profitability

The company had encountered some challenges, and Kieffer is looking to Rosetta to help get it back to profitability.

"I kind of thought 'I've got a mess here, this is really going to be hard to get out of,'" Kieffer said. "Once we realized what the numbers were telling us, it was very doable and simple steps to take to get back to a profitable state and create some momentum where I'm having the kind of growth I'd like to have."

The program identified how much he needed to increase sales to reach his goals, either at a greater margin or greater volume, Kieffer said.

"I didn't have any doubt that I'd be able to survive, I just didn't know what I needed to do to survive," Kieffer said. "Once you have the story, then you can take some action steps. That's a tremendous confidence builder, I think."

Todd Nelson is a freelance writer in Woodbury. His e-mail address is todd_nelson@mac.com