

Eye to eye: Gergő Vári and his Enterprise on the Internet¹

"Jobmonitor - the homepage for job-hunters. With Jobmonitor you can find all the job offers available on the Internet" as potential employers take advantage of this convenient way to advertise themselves (www.jobmonitor.hu). Few would imagine that the man behind the homepage is the 25 year old Gergő Vári and his barely 1.5 years old enterprise called E-Ventures.

As for the legend, whereas the famous American IT enterprises started up in small garages, E-Ventures was started in a pub. After a late night talking and planning while drinking beer, three good friends decided to start a job-registry office on the Internet. András started working for a recruitment agency and found it would be a good idea to transmit manpower. Szabolcs, who worked for an online service company, came up with the idea of using the Internet. Gergő was the most optimistic and remembers that in the beginning: "I recognized the opportunity and was sure that we would succeed".

The entrepreneur

Gergő Vári eventually joined his friends as he was on the brink of making a career decision. Gergő had finished elementary school in Budapest, studied at an American secondary school, graduated from University in Budapest, and got his Master degree in economics from McGill University, Canada. While at the University, he took two courses about starting up enterprises and managing small businesses - courses he would eventually really benefit from. He tried to focus on realizing his lifelong dream of establishing his own enterprise, but it was difficult because he felt he lacked the necessary experience, knowledge and connections. Furthermore, he didn't even have any idea as to what type of business to start. Finally, he took a job as an auditor at an established company, where he worked for six months. "I realized that working for someone else was not my cup of tea. I am not a good employee."

First try

So Gergő sat down with a friend to hold a brainstorming session to find a creative enterprise that could be started with very little capital, as they had very little money. They came up with better and better ideas and finally found the Big One: delivering video cassettes for people that did not want to leave their homes. After more than a week of preparation and planning, they applied for the required entrepreneurial license and started up the enterprise in July. After only five weeks they had failed. They believed there were two reasons for their bankruptcy. Number one is, because they wanted it to work out perfectly, they wasted too much time planning. Because of this, they missed the peak season of early summer. The second reason was worse in terms of the fundamental rules of economics: even though their idea was not a bad one, they simply ran out of money and could not wait for the return profit. Since

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then, three other companies have appeared on the market and capitalized on their idea.

Starting E-Ventures

By the end of the summer of 2000, Gergő was left with empty pockets and the experience of an entrepreneurial failure, and was searching for a job again. After searching for months, and getting two or three offers through the interviewing processes and networking, he met his friends András and Szabolcs to talk about their future while having a few beers. After this meeting, he did not go to any more job-interviews. He got some seed capital from his mother and dedicated himself to the enterprise he had discussed with András and Szabolcs that night: "job-monitor". András and Szabolcs did the same; they quit their jobs and left together for the rocky-road of entrepreneurship.

The enterprise was officially registered by the *Registry Court* in January, 2001. What happened between the registration and the bid decision of November, 2000? Serious planning, development, and organizing. After the initial planning, they searched for and found a software developing company to help them with the technical implementation of the service. Simultaneously, they developed and worked out the business model too.

The basic idea of the job-monitor service is easy: a homepage, that contains everything that interests job-hunters: links to the advertisements that can be found at the websites of headhunter companies, a questionnaire and a recordable list that helps in analyzing the needs of the job-hunter, cv-maker guides, and an e-mailing system that automatically sends an e-mail to the applicant when he finds a job-offer that fits his wishes. For weeks, the three entrepreneurs worked out the framework and then the details in order to get a system that would satisfy all of their technical needs.

None of them, however, were competent in software development or creating homepages. They found that specialized knowledge through a clever contractual relationship. A software development company offered to create the product the product for them in exchange for 30% of the service rights. Because they did not have the millions of forints (the Hungarian currency) needed for the enterprise, the three immediately agreed to the offer. While the software development company was busy developing the product, the three entrepreneurs were busy searching for and defining all the different links that could be used on their homepage.

The business model was slowly taking shape. Finally they had to figure out who would pay for this service, how would they pay, and why. It became clear that their webpage could offer an alternative advertising opportunity to the too-frequented printed press, only if their webpage could grow large enough. After analyzing the four other companies that offered similar services, they found out that the attendance of the webpage was the key factor, and it depended on the amount and quality of information available on the page. The channeled linkages perpetually enlarged the expansion of their website. For this, as well as other reasons, they spent a lot of energy collecting links from the very beginning. It was very effective, 2-3 months later the Jobmonitor became the most attended homepage of job-hunters.

Their savings were quickly running out, but fortunately they met an angel; not a real angel, but a “business angel.” This “angel” company liked the idea, the business model, the enthusiasm of the boys, and supported them with 700,000 forints and good benefits.

The establishment of the enterprise was part of the preparation too. The three founders registered E-Ventures in January, 2001. They all had equal equities. They put together one million Forint in cash and combined their computers, printers, and their usufructuary rights to a flat.

Some structured division of labor should have been delineated right away, however, at first everybody seemed to be doing everything. The business administration, pointing out the lines for the enterprise, and analyzing the concurrence were tasks assigned to Gergő. András dealt with the customers and the sales. Szabolcs interacted with the system-developers and analyzed the visitors of the homepage.

The product appeared on the Internet in February, 2001. By May, they had attracted 3000 visitors, although they had not profited yet. Szabolcs quit the enterprise, not only for this financial reason but because he was searching for new adventures, and took his backpack and traveled to South-America.

By July, 2001, they had run out of money and needed capital for the development of the business. So Gergő started searching for another investor. Instead of an investor, he found a customer who was willing to buy a part of the enterprise. They got their first serious profit from selling the database containing the data of job-hunters. From the money they got, András and Gergő bought the equity of Szabolcs, paid the software-developers for their 30% of the ownership, and then employed their own software-developer.

Their first income came in November, 2001 from job advertisements for 200-300 thousand Forints. Of course this income was not enough to cover the salaries and other functional costs.

In December, 2001 the enterprise was still losing money, and in spite of the apparent good potential, András had reached the end of his patience – so he quit as well.

Gergő was the only owner left operating the enterprise. However, the number of employees increased month by month. By the summer of 2002, an administrator, two developer-operator and three salesmen were helping Gergő in his work. Developers developed, mended, and operated the worked up system. Salesmen worked for fix wages and got premium for the advertising they got for the homepage.

Thankfully, due to the teamwork, the enterprise got to the operative break-even point by February. The incomes covered the costs. In the summer of 2002 their income reached 2-2.5 million Forint per month. After one and a half year of running, some kind of organizational culture and structure was being formed.

Vári Gergő was the manager. He drew the lines for the small business, kept in touch with the strategic partners, managed the finances, revised the bills, and employed the external accountant. He spent at least 2-3 hours every day with his colleagues, to stay close to the inner affairs and daily problems. A sales manager supervised the sales group to get more adverts. The third manager, who dealt with human affairs, had a

dual function. As a head-hunter, he helped the job-advertisers in finding the appropriate applicants, but at the same time he cooperated in engaging new employees as well. The three managers met once a week to agree the operative tasks.

Informal culture evolved in the small organization. Everybody knew everything connected to the enterprise and everybody could offer his opinion. If they needed to, all the colleagues stayed at work till late at night. "In our firm, people like their job and are really good experts and can see the result of their work. They know that what is good for the firm is good for them too," quoted the team manager. He felt that the preparedness and commitment of the employees played an outstanding role in the success of the enterprise.

The profile was shaping continuously. The main activities were development, managing, and selling of the Jobmonitor homepage. They received 90% of their income this way. Additional activities included starting smaller projects like the development of their partner's homepages for the better and more compatible connections. They also did some web-marketing which included helping run other homepages.

In the summer of 2002 Gergő drafted two strategic aims. Number one, to keep and strengthen their position at the market by more intensive sales work to develop their "product". Number two, significant expansion of their profile. He decided to start up with an automobile and property trading homepage by using their experiences they got from running Jobmonitor.

"I think the possibilities of manpower-trading are restricted. Competitors want to get better positions by writing down the rivalry, though the market doesn't accept manpower agencies through the internet as an alternative to the printed press. However, it seems to be a good idea to try our technique and logic at another market. If we fail, we'll stop." explained Gergő the quick, "Viking-like expansion".

After downturns they began feeling the ascent. Gergő Vári had confidence in the future. "Formerly I thought the most important was the good idea. Now, I think, we can stand our ground at every kind of market if we do our tasks well. I think three factors play a role in success. First is being familiar with the market and competitors. We can be successful if we see the market clearly, know the behavior of the competitors and based on this knowledge we figure out how we could satisfy the customers better than the others. The second factor is the viable business model that honors the good job with money. Last but not least, the human factor. Success can be reached only with a good, motivated team."

What is the future of Gergő Vári's enterprise? The young entrepreneur answered this question in the summer of 2002: "I would like an enterprise that goes on without me just as well. I can not imagine any other job that would give me such a big freedom as that of an entrepreneur. There's nothing that motivates than doing my own business."

Description of the enterprise

Gergő Vári is by all means a successful entrepreneur. He created the product (technical success) and could sell it (sales success). After the start up the enterprise made profit (financial success), society had accepted it (social success) and we can say, he is satisfied with himself too (personal success). Since he became an entrepreneur, his motivation, his role, and tasks in his enterprise have partly flared, and partly narrowed.

Nowadays Gergő is more likely working on his business and not within his business. The company works without him too, but his personnel activity and motivation is definitely needed for success in the long run. Gergő is the only one of the three friends who stood by the enterprise until the end.

The history of Gergő and his enterprises has covered the whole of the entrepreneurial process. Getting ready for the establishment, starting up, managing the enterprise and the question of carrying-on, all have presented themselves twice in Gergő's life. The starting up and the bankruptcy of the video cassette delivering business demonstrate the whole entrepreneurial process. The story of Gergő's businesses on the Internet guides us in the area of internal operation of the enterprise.

Gergő Vári and his two friends started up both of their enterprises based on a viable looking business idea, leaning on their own sources and the ones they got from their families. Regarding the products, the two opportunities are different, but both markets were in their infancy. They couldn't be sure at the beginning that they would be successful. The entrepreneur's team chose uncertainty instead of certainty. Uncertainty being at the same time a business opportunity meant the immaturity of the market and social non-acceptability. Gergő and his team tried to estimate the risk by making a business plan. The personal risk was reduced by the fact that they were friends.

Jobmonitor is a service type enterprise, it's an intangible product and the same product can be sold many times. It's a real "informational good". Jobmonitor is a mix of the foundational and the marketable high potential types of enterprise. It guarantees a respectable livelihood for the owner, and thanks to the planned marketing, and product developing activity, it has a big increasing potential that makes the enterprise marketable in the future.

At the starting stage of the venture there were traits connected with foundation knowledge based company as well as high potential growing business. The short term goal of Gergő and friends was the working for their own living. Their business idea was based on the innovation given by the Internet. After the bursting of the Internet bubble they could count on moderate increase in sales, but they had the chance for making a stable and profitable enterprise owing to a niche and the increasing acceptability of the Internet.

Founders were mainly motivated by "leaving the safe for something uncertain". Besides, they also benefited by the experiences gained at former workplaces (head-hunter company, online firm) and studies at McGill University. On the other hand, they really were excited by the business idea itself. They were stimulated by

achieving the dream (dream-builder), and they wanted to be independent. The motivational factors mentioned above can not be recognized clearly. Each of them was important in their lives. While the dream and independence had equal weight in Gergő's case, András and Szabolcs were largely driven by their dreams. This explains their early quitting.

All entrepreneurial roles appeared during the development of the enterprise. Not only were the entrepreneurial roles of the three friends different, but the people had changed too as time passed. Gergő was the entrepreneur-entrepreneur at the very beginning and played this role all the way long combined with the entrepreneur-manager role. Only at the launching phase did he play the entrepreneur-expert role when he collected links. At first, "everybody did everything". After the friends left Gergő tried to configure the system of the enterprise and the division of labor alone. Gergő delegated some managerial duties when he hired a sales manager. This gave him more time to be an entrepreneur-entrepreneur. Appearance of the new roles didn't put the former ones in the shade; Gergő manages the enterprise, and last but not least, works on his enterprise. It is still undecided whether Gergő retains his active role in his business, or he will assume the role of a businessman.

Gergő Vári's enterprise started as an ant-type business and it has now become an "antelle". As for its size, it's an ant, but its vision about itself and about the market shows the characteristics of a gazelle (start small, think big!). As a growing business, the challenges of keeping the enterprise went hand in hand with the challenge of growth. From the organizational perspective, the challenge of finding the right division of labor emerged, but Gergő could manage to avoid the trap of managing everything, he was able to delegate. Of course, changes are still needed while developing the company. The main actors of the market know the Jobmonitor but the next step has to be an effective marketing campaign to raise the awareness on it. Financially, the enterprise has become stable. For supporting further growth addition resources might be necessary for realizing these ambitious plans. The Jobmonitor matches market expectation. In order to gain a market leader position and over compete rivalry, continuous product and process development is needed. The challenge of ownership has been sorted out too. Gergő has not only kept his equity but also has enlarged it after the quitting of the others. Calling in additional capital has not been necessary for keeping the status, but it can happen that by escalation of competition, market-development and diversification (new or premium products) the given sources will be scarce, and Gergő will have to think about mobilizing new internal or external sources, capital, or debt.

Gergő is a real entrepreneur. Instead of avoiding problems, he considers them as an opportunity to solve them. Since Gergő has not given up the Jobmonitor starting a totally new business, his behavior demonstrates rather the Santa Maria than the Viking-type approach.

The difference between the two ventures founded by Gergő can be due to the availability of resources. The video cassette business failed because they didn't have enough money to survive the early-phase cash flow problems.

The reasons for of the Jobmonitor's success were the correctly managed finances. Gergő was always able to get external resources either from a business angel or from providing equity to compensate product development.

In summary, the *strengths* of Gergő Vári's enterprise included continuous observation of the competitors, customer-friendly, continuous simplification and development, service-centered behavior, a built up sales team, his stamina as an entrepreneur, and motivated employees. The *weaknesses* of the enterprise were uncertainty of the strategic direction and the allocation of resources between the different markets. The *opportunities* of the enterprise were offered by the emergence of the electronic job-trading market and the relatively high Hungarian economic growth rate. Finally, competitors owned by capital- strong multinational companies and the gentle setback of the economic growth constituted the *threats* for the enterprise.

As a consultant to Gergő Vári, I would suggest him a focus strategy and to develop only the job-trading profile. I would suggest forgetting about diversification into property and automobile market. I wouldn't spend money on buying up the rivals because a job-trading company's value is not related to its physical assets. To support increase of sales, I would work out performance indicators and introduce a sales incentives system.

Conclusions

Learning from the former failures can help us solve these problems. There is no such prerequisite of a successful venture that the founders should have experience in succeeding with a company. The three good friends (Gergő, András and Szabolcs) had never had an enterprise before. Gergő learnt from his previous failure, and turned the mistakes to his benefit.

The Jobmonitor case is a good example that undercapitalized ventures might have difficulties in surviving even in a less capital-intensive industry. The cash flow problems of the video cassette business could have been diminished by a better timing, by utilizing the window of opportunity, and by finding external resources, or demonstrating more insistence.

An entrepreneur doesn't have to be the expert of everything. It's interesting that only Gergő Vári stayed in the enterprise of the founding members, although he was the person who knew the least about job agency and the business of the Internet.

The need for a business plan was recognized by the founders. In the video cassette case, they paid more attention to the planning than to preparing the business to launch. So they missed the opportunity. They trusted so much the precisely worked out plan, that they made only one scenario. They didn't contemplate a contingency plan. In the Jobmonitor case, they learned from their mistake and did the planning and the subsequent preparation synchronously, and they did succeed.

With launching the Jobmonitor, the founders recognized time-based competition. Instead of developing and launching the perfect solution, they started with the acceptable solution, and they continuously developed their service and product.

They put tremendous effort and energy to get feedback from their customers, which was the basis for product improvement.

At the beginning of the operation, it was no use to make the rigid structure. Everyone dealt with everything. They realized that their aim was the success and the methods used were only means of achieving this. The structure emerged when the complexity of the activities needed more control and diverse attention.

They utilized other people's resources to their benefit. They found partners to do the job they were not able to deliver. At the very beginning, they outsourced the system development instead of building this capacity internally. The profit-sharing solution with the system developers was a nice example of entrepreneurial financing. Another example of that was when they discovered that they could earn a lot by selling the byproduct. From the income, they realized that Gergő could strengthen his position of ownership and, consequently, the enterprise started to be profitable.

The entrepreneurial team and the committed and loyal employees are vitally important in the success and survival of an always volatile small and growing company. Gergő recognized the need for developing an enthusiastic team of employees, energized them when coping with difficulties on the market place.

The key success factors, according to Gergő, were the highly motivated and loyal employees, the customer focus and continuous development, and the understanding of the role of the owner-manager, who is developing not only the products of the company, but the operation and structure of the company, which can work and perform even without the everyday presence of an entrepreneur.

Gergő is on the right track to develop a company which can operate without him.