

# small business

**DICK YOUNGBLOOD**  
Her daughter's 4H project raising Angora rabbits led Vick Johnston into a thriving woolens manufacturing business. **Coming Wednesday.**

## outside consultant

**Q** My small business has forged a relationship with a company that serves large pharmaceutical corporations to handle the packaging, sterilization and distribution of my medical product, but we have had trouble moving the process along. Though I have connected with the company in person, they have been slow to return my e-mails and rarely return calls. How can I capture their attention and improve the relationship despite being a small fish in a big pond?

DAVID TAYLOR

**A** Some of the toughest challenges in business are interpersonal, and it's usually best to address them interpersonally as well as contractually.

The firm's lack of response might indicate that they are overwhelmed and cannot get their work done, or that your business is a low priority. It's a good sign that they give you proper attention when meeting in person, but I suggest a proactive approach.

First, because the "gentleman's agreement" you have is not being completely honored, establish a formal contractual relationship spelling out delivery times and reporting processes. A formal legal contract might get you to a workable place on their priority list, plus it clearly signals how important this venture is to you.

Second, find another producer that might offer a better partnership, or that at least gives you some leverage. Though you've tolerated the poor communication because you think this company provides unique value, your business should be valuable to them. Sometimes only the threat of leaving will force companies to reassess business relationships.

Third, speak to key members of the company about their poor communications and how that affects your business. Find out why messages haven't been answered and then establish a communications plan that both parties will honor. Understand the demands and priorities that are driving their business, then take responsibility for making the relationship work more smoothly.

JACK MILITELLO

PROFESSOR OF  
MANAGEMENT  
DIRECTOR, HEALTH CARE  
MBA

UNIVERSITY OF ST. THOMAS  
COLLEGE OF BUSINESS

Answers are provided by the John M. Morrison Center for Entrepreneurship at the University of St. Thomas. E-mail questions to: consultant@startribune.com.



DAVID BREWSTER • dbrewster@startribune.com

Solutia Consulting officials met Thursday in a rented conference room in Roseville. From left: Gloria Sharp and Tom Dick, both managing directors/partners; Rick Kuula, president, and Michael Possehl, consulting director. Managing director/partner Dean Swan was absent.

## Virtual office is Solutia's solution

• Rick Kuula, president of Solutia Consulting, wants to spare his employees from industry turmoil as they help clients find new ways to work.

By TODD NELSON  
Special to the Star Tribune

As a management consultant, helping other companies change is Rick Kuula's business. Protecting his company and its employees from the changing fortunes of their industry is his business, too.

Kuula, 46, opened Solutia Consulting in 1997 after more than 20 years in business and information systems consulting. In that time he learned what he liked — a stable, open workplace culture with opportunities to grow — and what he didn't: long hours, travel and above all, the "acquisition mill" of companies merging or getting bought out.

So Kuula set out to build a different kind of consulting company. While Solutia, as its motto says, helps clients "take charge of change," his focus has been on developing a company that will stay true to the direction he and his team have set even after he moves on.

To that end, he hires only salaried employees, not independent contractors or hourly workers. He carried six employees "on the bench" to wait for better times rather than laying them off when the economy soured in 2001. Every month, employees get a scorecard reporting how the privately held company is doing, including profits and losses.

Solutia's services include project management, busi-

ness analysis and developing applications written in Java, Microsoft.Net and other programming languages. It also helps clients install applications and provides quality assurance. It works with clients in financial services, health care, manufacturing, telecommunications and other industries.

### A virtual office

Solutia operates as a virtual company, with no home office; employees work from home or at client sites and stay in touch by cell phone and e-mail. Kuula promotes team spirit at monthly staff meetings and at summer weekends at lakeside resorts, inviting employees and their families.

"As consultants, we're going out and helping our clients change all the time," Kuula said. "It's nice to have a home base that isn't changing all the time, having gone through acquisitions and seeing what that does to the company culture."

Kuula, previously the sole shareholder, also has begun giving away part of the company through a partnership program similar to those at much larger consulting agencies or law firms. The goal is to position Solutia to grow while maintaining the culture. In January, Kuula named three key longtime associates — consulting directors Tom Dick and Dean Swan, and resource director Gloria Sharp — as Solutia's first managing directors

and partners.

The company's compensation plan provides employees who have been strong long-term contributors, and who pursue a partner role, with equity through a "phantom stock" plan that converts shares to Solutia stock at the end of a specified period, Kuula said.

### Retaining the culture

"It was never my intention to build it up and sell it to someone," Kuula said. "My intent is to continue to give away pieces of the company over time. This is the only way to retain the culture. Turning this into a public company or being acquired ... removes the control that we have in terms of our destiny long term."

In part, Kuula hopes the partner program will spare his employees what he went through when the small, independent firm he was working for got acquired by a larger company and then by a giant one. "I was sad to see this small company that we'd grown be acquired," Kuula said. "Inevitably things change as you become part of a larger company and you have corporate goals and public goals to meet."

The partner program, Kuula said, also puts Solutia in a better position to carry out aggressive growth plans. The company hired 20 people last year, doubling to more than 40 employees. In five years, plans call for having 250 employees in three cities in other states.

"My intention is to build a multi-branch national consulting organization with groups of partners in each location that

### SOLUTIA CONSULTING INC.

**Business:** Management consulting company works with clients in financial services, health care, manufacturing, telecommunications and other industries to manage projects, do business analysis, develop or select applications and install them. Operates as a virtual agency, with no bricks-and-mortar office.

**Founded:** 1997

**Headquarters:** Stillwater

**2005 revenue:** \$7 million

**Executives:** President, Rick Kuula; managing directors and partners, Tom Dick, Gloria Sharp, Dean Swan; consulting director, Michael Possehl

**Website:** solutiaconsulting.com

**Strategy:** Maintain an open, collaborative culture while growing in Twin Cities, planning to expand to other states

share ownership in the company," Kuula said.

Kuula used the stock and options he got when the smaller firm he worked at was acquired to help finance Solutia, and he didn't draw a salary while he got the company going. Revenue last year was more than \$7 million, up from \$150,000 in its first year, and it has been growing at 25 percent to 40 percent a year, he said.

Sharp said the partnership program gives employees another way to grow professionally, something she said Kuula has stressed.

"The culture has been such a key for us, being an open culture that allows people to grow," she said. "A lot of companies ... start out that way but don't instill that as they grow. We want to maintain that."

Rob Duran of direct marketer MRM Worldwide in Minneapolis said his firm hired Solutia last year to help develop a Web-based marketing tool for a client. "They're quick, they're smart, they're great to work with," Duran said. "They do great things. They delivered a very high-end product."

**The expert says:** Thomas Lyons, president of Faelon Busi-

ness Brokers in St. Louis Park and a longtime business consultant, praised Kuula for "doing a great job of building his company without bricks and mortar, and finding ways to hire and keep his employees happy and pulling together on behalf of the firm."

Pressure to have a Solutia corporate office might grow if the company expands to other markets, he said, but "there's no reason he can't duplicate what he's done in other cities."

Lyons, who has written a book on exit strategies and conducts seminars on the topic, said business owners such as Kuula have a number of options to help employees gain ownership in a firm while also getting value for their company. Employee stock ownership plans, or ESOPs, which some companies adopt so employees can end up owning and operating a firm, can offer business owners tax deferral advantages and help the company retain employees.

Todd Nelson is a freelance writer in Woodbury who also has written for the St. Paul Pioneer Press and the Raleigh News & Observer. His e-mail is todd\_nelson@mac.com.



**"MY INTENTION IS TO BUILD A MULTI-BRANCH NATIONAL CONSULTING ORGANIZATION WITH GROUPS OF PARTNERS IN EACH LOCATION THAT SHARE OWNERSHIP IN THE COMPANY."**

Rick Kuula, President of Solutia Consulting

## small business calendar

### TUESDAY, JULY 11

**Export/import counseling.** 9 a.m. to noon, Small Business Administration, 210-C Butler Square, 100 N. 6th St., Minneapolis. Free. Call 952-938-4570. Sponsor: Minneapolis SCORE.

**Top 10 tips for building a business.** 12:15 to 1:15 p.m., 2324 W. University Av., St. Paul. Free. Call 651-646-3808. Sponsor: WomenVenture. Advice from successful loan entrepreneurs on best practices for small businesses.

**Smart start your business.** 4 to 6 p.m., 46 S. 11th St., Minneapolis. \$20. Call 651-962-4500. Sponsor: University of St. Thomas Small Business Development Center. Feasibility analysis for the entrepreneur and business planning basics.

### WEDNESDAY, JULY 12

**Entrepreneur advisory council meeting — meet with other business owners and executives so you can take control of your business, improve your profitability and create your vi-**

**sion of success.** 7:30 to 11 a.m., Minneapolis Marriott Southwest, 5801 Opus Pkwy., Minnetonka. Free for members, \$99 non-members. Call John Kurth, 952-942-8560. Sponsor: The Meridian Group.

### THURSDAY, JULY 13

**Business planning counseling.** 9 a.m. to noon, Urban Ventures, 3041 4th Av. S., Minneapolis. Free. Call Ralph Bruins, 612-822-8628. Sponsor: Minneapolis SCORE.

**Cash flow lab.** 6 to 9 p.m., 2324 W. University Av., St. Paul. \$45. Call 651-646-3808. Sponsor: WomenVenture. A cash-flow expert will explain how cash projections work; remainder of class is a hands-on opportunity to work on your own business cash-flow files.

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