

# Head start

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When Philip Weinman invested in an online training company he put the shaky start-up on a path to high growth.

The Melbourne entrepreneur turned business angel Philip Weinman has learnt a valuable lesson in the past few years about investing in start-ups: avoid them unless you can roll up your sleeves and help build the business. After some bad experiences, Weinman is involved with a start-up, the online training company MindAtlas, which is growing so fast that it is hiring seven people a month.

Weinman made his millions by founding several businesses in the 1980s and 1990s, including HiSoft Computers, which grew to \$225 million in revenue by 1989 when he and his partners sold out, and CTS Travel, which had revenue in 1999 of \$50 million when it was merged with three other companies and floated. (It is now called TQ3.)

Three years ago, he was fed up with starting companies and, at 46, was ready to become a passive investor in early-stage ventures. That was a mistake. He exited one internet company without having made a cent. "I didn't set the rules from day one, so they would not take criticism. They also spent too much money."

The performance of another investment, a technology company, also did not impress him. "I decided that start-ups need experience, contacts and to be driven hard. They need to know to handle problems quickly and turn them into opportunities."

Weinman began to search carefully for his next investment. He likes companies with a product or service that has a strong application to a specific market sector with low barriers to entry. "You don't need to be first to market but you do need to bring it to market better than the average competitor."

He was also on the look-out for an online training company. He had used such a business three years ago that was next to useless because it produced generic, not specific, training to his employees. Weinman says: "I knew I could do it so much better." So when he was introduced to the founder of MindAtlas, Mat Jacobson, 30, he saw a superior opportunity where many others would have seen a dud.

Online training had been discredited after the dot-com boom. Rebecca Howe, manager of the training broker Polsons, says many companies are wary after being burnt. "The trainers didn't adjust it to a company or make it interactive. They just dumped content." Since then, companies have developed their own online and face-to-face training and others have scaled back budgets for online training.

Weinman felt that MindAtlas's software had clear competitive advantages. Developed by a senior lecturer from Melbourne University, Mark Baker, it could be easily and cheaply customised for individual companies. It was interactive and engaging, using characters and humor to teach tedious compliance and training material. The 25-minute modules can be done by staff when things are quiet, and the software tracks their progress and performance.

Weinman also saw an industry that was fragmented by many small participants. "This meant we could get ahead quickly by offering a very professional service that was far cheaper than competitors'."

He then turned his attention to the management. In 2000, Baker had teamed up with Jacobson and they raised \$1.5 million from private networks and friends to develop the software. Jacobson, a former lawyer, had been running other internet companies, but at the end of the boom, the only company left was MindAtlas. "I learnt one thing: customers' needs come first, not innovation," Jacobson says.

Weinman spent several weeks grilling Jacobson and Baker. "I deliberately kept finding faults with the business, but Mat had no ego. He could take constructive advice and did not defend without logic. They both knew they had a great product but needed guidance on how to build a big company."

Weinman saw that the company was running on a shoestring. "That was good. I knew they watched costs." He also liked Jacobson's strategy from the beginning of chasing prominent clients, and his persistence in cold calling until he got in front of the right people. Clients included BP, Brambles and the Department of Defence.

The company was selling on a fee-for-service basis. Weinman could see the potential to also offer a Registered Training Organisation (RTO) service - employers and RTOs are paid a fee from the Federal Government for improving workers' skills. Weinman says many RTO companies provide insufficient training. Victoria's biggest IT training firm, Broadscope, was suspended in July this year after claims that it was not meeting minimum standards.

Weinman committed \$500,000 - which has still not been drawn on - and became a substantial shareholder of MindAtlas. He rolled up his sleeves because there was a lot to do. The young staff - most aged under 24 - were passionate and hard-working but too casual for Weinman. "I would come in at nine and there would be no one here. That's no good when dealing with corporates."

Weinman also insisted on setting targets, forecasts and budgets. He brought in an administration manager and a national accounts manager who has experience dealing with large companies. He put a think tank in place that includes a government auditor and other experts in online training. "This has helped me learn about the industry extremely quickly."

Weinman and Jacobson still sell, but there is a sales team now to track and manage large corporate clients, which include the Institute of Management, Subway, Pacific Group, 7-Eleven and Roger David, as well as Victorian and Federal Government departments.

Turnover for 2002-03, about \$150,000, is expected to rise to \$8 million this year. "We have signed \$5 million in contracts already this financial year," Weinman says.

The company wants to go global at the end of the year and float in the medium term. "We now have the infrastructure for a big business [staff numbers have grown from five to 28 in two months] and so we cannot, in this high-growth phase, fall behind in the momentum."

A competitor, Online Learning Australia, warns that corporations have cut back again on e-learning and that margins are tight. Managing director Gary Bertuch says: "It is a highly competitive industry with lots of small companies that think there are low barriers to entry but then find that it's not the case." But a MindAtlas customer, Di Dale, from the leasing company Leaseplan Australia, says: "There are zillions of companies doing similar things but they are breathtakingly expensive and it's all off the shelf. A company like MindAtlas, which takes incredibly boring stuff and customises it and makes it friendly so our staff actually learn, will do well."

## Angel's tips

1 Only invest in companies where the founders can accept criticism and don't let their egos get in the way.

2 Make sure that as the company grows there is no middle management and no politics. Everyone is responsible for the bottom line.

3 Promote passionate staff rather than bring new (passionless) people in over the top of them.

4 Always share the profits.



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