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Fall 12-2001

## **Erroyo, A New Way to Learn**

Darren Emil Lifferth  
*University of Tennessee-Knoxville*

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**Appendix E - UNIVERSITY HONORS PROGRAM  
SENIOR PROJECT - APPROVAL**

Name: DARREN EMIL LIFFERTH

College: BUSINESS Department: MANAGEMENT

Faculty Mentor: DR. RICHARD NEUBERT

PROJECT TITLE: ERROYO, A NEW WAY TO LEARN

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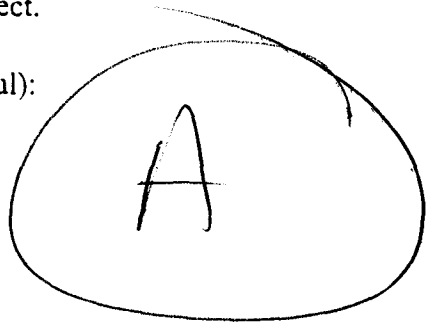
I have reviewed this completed senior honors thesis with this student and certify that it is a project commensurate with honors level undergraduate research in this field.

Signed:  \_\_\_\_\_, Faculty Mentor

Date: 12-12-01

General Assessment - please provide a short paragraph that highlights the most significant features of the project.

Comments (Optional):



# **Erroyo, A New Way To Learn**

## **A Case Study Senior Honors Project**

**Darren Emil Lifferth**

**Whittle Scholar, International Management**

**Dr. Richard Neubert, Advisor**

**Fall 2001**

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## Prologue

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I cannot remember at what point John Tolsma mentioned it, but the impact of his comment would foreshadow my experience at Erroyo. “We are no longer Erroyo.com, were just Erroyo, that’s it, just Erroyo.” I thought I was getting in with a great dot-com at the ground level. The possibilities were enormous. When Mr. Tolsma changed the name before we even had a customer, I realized that I was in for an adventurous experience. Change would be constant. Mr. Tolsma referenced the pathetic stock performance of so many dot-coms since the markets started dropping in spring of 2000. Dot-coms were heralded as ushers of the revolutionary technological marketplaces of the future. For a while venture capitalists shelled out \$17 billion a quarter.<sup>1</sup> Just as a shooting star burns so bright, then quickly fizzles out into the darkness of the night sky, so many start-ups burnt through huge sums of capital only to fizzle out of business. Investors ran from dot-coms like the plague. Customers were burned by the pathetic customer service provided by inexperienced supply chains during the Christmas season of 1999. Venture capitalists retreated to their pre-Internet days of actually performing a thorough screening of business plans prior to sinking millions into risky propositions. Mr. Tolsma did not want Erroyo to get the tarnished image and associated mental baggage of dot-coms. So with that comment, we became Erroyo, not Erroyo.com.

This is my senior honors project. I have worked with Erroyo since its inception through the present. I will discuss how Erroyo was conceived, launched, and the initial strategy. The bulk of this paper covers the history of RIVR and Erroyo focusing on important milestones and decisions. I also critique the company’s performance in each of the functional areas.

## Acknowledgements

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This project has been years in the making. There is no way any of this could have happened if it were not for a few wonderful people. First, I'd like to thank Chris Whittle for contributing the funding for my scholarship. Next, I would like to thank Dr. Thomas Broadhead for acting as the middleman to help me become associated with RIVR Media. I cannot say enough about John Tolsma. He gave me a great opportunity to learn first hand what a start-up is all about. Dee Haslam and Rob Lundgren were excellent leaders that gave me exposure to management skills. Everyone at erroyo has contributed to my education, including Peter Tolsma, Victor Agreda, Walt Bearden, Laura Lefler, Ben Taylor, Alex Vogel, Ashley Smith, Ward Guenther, Scott Meriwether, Shelly Stafford, Tori Worthington, Andrea Page, Eric Johnson, Kelly Crest, Jay Nevans, and Chris King. Without the direction and assistance of my advisor, Dr. Richard Neubert, this project would be very different.

## RIVR History

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With Dee Haslam at the helm, RIVR Media began searching for ways to utilize excess capital and production facilities.<sup>2</sup> The Internet held great promise and mystique because its waters were virtually uncharted by video production companies. How could RIVR Media capitalize on this revolutionary new communication avenue that was doubling in size each year?<sup>3</sup> Traditionally, RIVR provided how-to, batch production to cost-conscious cable networks. As competition in cable programming increased, RIVR wanted to keep production studios and equipment near maximum capacity to increase cash flowing in. Internet pundits speculated as to the nature of video on the web. RIVR formulated its own postulate with video taking a commanding role in the future of the Internet. Ms. Haslam followed family instinct.

Ross Bagwell, Sr., Dee Haslam's father, had branched out on his own, leaving a major network in the 1970s to start producing shows for the then new cable television. His basic assumption was that with cable becoming the dominant form of television entertainment in America, each station would need more shows. But with audiences fragmented to watch their favorite stations, each station would have to vigorously compete to beef up advertising profits while simultaneously reducing overhead. Ross Bagwell pioneered a system to batch produce shows resulting in very profitable, low cost shows for the cable stations. Batch production was Bagwell's key to cable programming. Bagwell Entertainment went on to produce hundreds of shows for Nickelodeon, Discovery, The Learning Channel, CBS, A&E, HGTV, and The History Channel. Dee Haslam became CEO of RIVR Media in 1999.

Dee Haslam and Rob Lundgren partnered to merge each of these businesses under one umbrella with a new name, RIVR Media. Rob Lundgren had twenty-five years experience in management, marketing, sales, and publishing. Prior to joining RIVR in 1999, he served as a

managing partner at Venture Alliance, and spent eleven years developing new media systems as a partner at Whittle Communications. With Ms. Haslam and Mr. Lundgren leading the company, RIVR Media grew out of the mergers of ThunderRoad Production Services, Ross Television, Bagwell Entertainment, and a few other media firms.

History repeats itself. RIVR expects to do exceptionally well with Erroyo given Bagwell's cable success. Bagwell pioneered cable programming, and Erroyo poised itself to pioneer the video revolution on the Internet. RIVR decided to create a start-up company to pursue these new market opportunities. They had a simple profile of whom they wanted and what they wanted. Ms. Haslam decided they needed someone who had a proven track record of success, someone that was young and creative, and someone who was brilliant. Basically, she wanted a Harvard MBA. She determined that she only knew one Harvard MBA. That was John Tolsma. Mr. Tolsma would be the key motivator pushing Erroyo through rapidly evolving economic conditions.

### **John Tolsma**

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John Tolsma grew up in Texas bypassing the in-state scholarships to attend Duke University. Mr. Tolsma excelled at Duke and eventually served as Duke Student Body President. After graduation, Mr. Tolsma hit the campaign trail as an advisor to former Secretary of Education, Lamar Alexander during the 1996 presidential race. As Mr. Alexander's race ended in defeat, Mr. Tolsma wanted to take on greater challenges. With aspirations greater than entering a lackluster career in a traditional business, Mr. Tolsma opted to attend Harvard Business School where he received his JD/MBA in 2000. Prior to his graduation, Mr. Tolsma developed a business plan with a few of the MBA candidates for an e-business named "e-grandparents.com." After internal disputes among the MBA candidates and investors, the deal



went sour. Dee Haslam contacted John Tolsma to do some preliminary research into the potential for an online video production business plan. A business plan was devised, revised, debated, and then accepted. RIVR lured Mr. Tolsma to Knoxville amid great expectations during very chaotic Internet economic activity. Mr. Tolsma took the bait, and upon graduation, packed up his life and moved to Knoxville.

Early on, they realized that the start-up would need autonomy to take the necessary risks to succeed. They wanted Mr. Tolsma to take the concept of Erroyo and run with it. With John Tolsma on board, RIVR wanted to expand the vision and growth potential of Erroyo by enticing outside investors. A few private investors were carefully selected and vigorously pursued. RIVR felt that for Erroyo to have the autonomy to really succeed, it would need its own board of directors. A small advisory board formed consisting of Malcolm S. Salter, Lamar Alexander, and F. Duffield (Duff) Meyercord.

### **Board of Advisors**

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Malcolm Salter had been a member of the Harvard Business School faculty since 1967 with teaching and research focusing on issues of corporate strategy, organization, and governance. He served as Chair of the Elective Curriculum in the MBA Program and James J. Hill Professor of Business Administration at Harvard. Professor Salter was also president of Mars & Co., a strategy-consulting firm serving a limited number of clients from its four offices in Greenwich (CT), London, Paris, and San Francisco. Professor Salter was a graduate of Harvard University where he received his A.B., M.B.A., and D.B.A. degrees. Professor Salter offered a mature visionary strategy for Erroyo. Mr. Tolsma greatly respected Professor Salter's experience and advice. Mr. Tolsma persuaded him to join the board of advisors to make Erroyo successful.

Lamar Alexander had been the Governor of Tennessee, president of the University of Tennessee, U.S. Education Secretary, and a Presidential candidate. He was currently the Goodman Visiting Professor at the John F. Kennedy School of Government of Harvard University and chairman of Simplexis, an education management company. Secretary Alexander graduated from Vanderbilt University and New York University Law School. He had served as an advisor and board member for several major companies and venture funds. Mr. Tolsma became closely associated with Secretary Alexander during the 1996 presidential race. Secretary Alexander was a perfect candidate to serve on the advisory board. He offered Erroyo great contacts, a larger view of the industry, and encouraged greater development of quality educational products.

Duff Meyercord founded Meyercord Advisors, Inc., in 1976 to provide financial and operational advisory services to corporate clients. Mr. Meyercord has focused on providing financial and operational advisory services to small and mid-sized businesses across a broad spectrum of industries. His projects have encompassed startups and turnarounds, bankruptcies, valuations and due diligence, and long-term interim CEO assignments. Mr. Meyercord currently serves as Managing Director of Carl Marks Consulting and serves on the board of numerous companies. He earned his BA degree in accounting and economics from Birmingham-Southern College. Mr. Meyercord's son attended Duke University with Mr. Tolsma and they knew each other very well. Mr. Meyercord was the ultimate realist and grounded Erroyo in basic business practices. Mr. Tolsma relied on the advisory board often as the operating environment changed frequently. They were flexible and offered formal and informal consultation for Mr. Tolsma.

## Getting Off the Ground

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The original business plan was immaculate with investment rounds accounted for, revenue goals set, hiring rounds explained, volume quotas, sales aspirations, and anticipated exit strategies. The plan gave the team direction. Mr. Tolsma says that one of the great fallacies of the entrepreneur is that if a company sticks to the structured business plan, it will be able to reach the predetermined success. This is rarely the case. Sticking to a structured business plan often ignores many spontaneous opportunities for growth and market development. Erroyo demonstrated that flexibility must be a major characteristic of a start-up. The original business plan assumed that with broadband becoming evermore prevalent, pure play online retailers would need video to demonstrate products. Broadband's hype had sparked lawsuits, national debate over content ownership, and a myriad of possible uses.<sup>4</sup> By summer of 2000, pure play online retailers like MVP.com were squirming to get a last breath of funding. So from day one, July 1, 2000, Erroyo knew there was a daunting task ahead of it in very hazy economic times.

Erroyo entered an industry with competitors from media firms specializing in original video production for websites. During the first summer, Erroyo could not find a single true competitor doing the exact same thing. Prior to 1997, a few Internet analysts predicted that video would never be possible because current volume constraints, computer processor speeds were too slow, and connections were averaging between 28k and 56k. People would not be patient enough to wait hours and hours to download video clips. In addition, adoption rates for high-speed access were slow and erratic, limited to major Internet hotbeds like the East and West Coasts. The general public soon found that connection speeds could be increase significantly with cable, ISDN, or DSL connections. This created a very new way of thinking about how a computer could be used. No longer was a computer just a word processor with a memory, but it

became an entertainment center. With computer programmers developing sharing software like Napster, the general public loved the novel uses of the home computer. A great idea usually sparks attention, but basic entertainment habits are difficult to change. In 1998 and 1999, all the pundits predicted landfall profits assuming the world would instantly change entertainment habits.

The initial research that pushed Erroyo to the point of creation also served as the best recruitment tool for bright, young employees. William A. Sahlman says, “Americans love entrepreneurs. They are the heroes of our society-examples range from Sam Walton at Wal-Mart to Sandra Kurtzig at ASK Computer Systems to Jeff Bezos at Amazon.”<sup>5</sup> This initial fact was critical in creating a buzz for Erroyo. Employees attracted to Erroyo were those risk-takers who wanted to roll the dice on a challenging new venture. Mr. Tolsma used research from Sanford C. Bernstein & McKinsey to predict 228,000 residential DSL customers and 1.62 million high-speed web access cable customers in 1999. The next fact was that broadband adoption would reach 16 million households by 2002 and grow to 35 million by 2005.<sup>6</sup> The other recruiting element was the two distinct service lines – Erroyo on demand and the Erroyo ranch. Erroyo on demand was a basic model for contracting content for e-commerce players and Internet networks with production tailored to the specific needs of the client. The Erroyo ranch was geared to become the creative hub for developing stand-alone dot-com ideas and applications to be sold to retail partners. Erroyo would provide fresh updates for the partner sites. Finally, the last attractive point for Erroyo was its stated primary values including creativity, technical excellence, efficiency, reliability, and integration.

### **Initial Team**

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Mr. Tolsma recruited Victor Agreda from RIVR to guide Erroyo through the technical implementation of the new venture. Ben Taylor was also recruited from RIVR to work on the newly forming development team. John persuaded his brother, Peter Tolsma, to assist in all aspects of the business including human resources, financing, accounting, and management. Finally John met with Dr. Broadhead, The Director of the Honors Program at the University of Tennessee to recruit a few Whittle Scholars. He managed to get Laura Lefler and me to agree to a two-month summer internship to help launch Erroyo. Due to the size and structure of Erroyo, official titles never materialized. These six employees formed the core of Erroyo.

### **Step One**

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The Operations Plan included goals and a flexible road map to develop the creative process, sales and marketing strategy, technical implementation, management development, financing, facilities, and a human resources strategy. The opening week Erroyo experienced a “mini-MBA” program designed by John for everyone to grasp the essence and scope of Erroyo. At this point the employees learned that in Spanish “arroyo” means stream or river, therefore “Erroyo” would mean the electronic stream. The logo and tag line read “Erroyo, the source of the electronic river.”

Initially the creative process was outsourced to writers, producers, and directors from RIVR until an Erroyo team could be organized. Sales and marketing took center stage as the opening summer’s most important task. Technical implementation was negotiated with RIVR’s technical team. The team developed new, creative techniques to shoot video to meet the specific needs of Internet distribution. Searching for management to fill out the team rested on Dee Haslam, John Tolsma, and Rob Lundgren. The original plan was to grow incrementally as each

functional area matured. Erroyo needed energetic leaders with experience who could learn new ways to get Erroyo off the ground and moving quickly. There was no Erroyo manual. Just as Mr. Tolsma had dropped the “.com” from Erroyo before the company even started, Erroyo quickly accepted the change factor in all functional areas. RIVR Media provided the basic office space and equipment with agreements to aid in financing new facilities. John traveled frequently in the early days of Erroyo, meeting with friends and family for the first round of financing. This round finished nearly on schedule bringing in just over one million dollars. This amount was substantially lower than funding averages from 1999 and early 2000. But given the drooping markets of 2000, this round was successful. John acknowledges that if Erroyo had collected ten million in the first round of investing, Erroyo probably would have gone bankrupt. Starting with so little cash, Erroyo was forced to watch every penny and maintain the bottom line while consistently raising the top line.

The first summer intern program worked extensively on developing a viable marketing strategy. The ultimate goal was to identify a target market, detail a strategy to serve that market, and identify the characteristics of a product to suit the needs of customers. Meetings were held daily to debate these goals while reporting on progress. Industries were identified where Erroyo's service could be used. By summer's end, 120 companies had been identified in twelve major industries that fit Erroyo's target market. Industries' rankings were taken from secondary research estimating their affinity toward video production in the past and present, with predictions for future video needs. Within each industry, an individual company ranked according to its attractiveness based on financial standing, technical progress, service and product category, and if Erroyo could envision a value-added proposition tailored to their needs. The sales strategy called for a salesperson to take the compiled research with the industry and

company rankings and begin sales presentations. The only problem was that a salesperson had yet to be chosen by the end of the summer. Finally, Walt Bearden was recruited amid great anxiety to bring clients in. For a time Erroyo held its breath to see if clients would bite. Soon the realization settled on Erroyo that the current sales strategy was too broad, did not rely on current relationships, and the salesperson was unable to fully comprehend Erroyo's services and how to sell Erroyo.

Development of the product characteristics formed through lively debates with the technical team at RIVR Media. Erroyo searched to find out what consumers seemed to expect from online experiences from information gathered in secondary research. The first few services were geared toward online retailers that needed a place to advertise their goods. The videos had to be short, with very little movement, and incorporate lots of lighting. To keep a person's attention, a major priority was to make each segment as entertaining as possible to compensate for slow connection speeds.

### **Growing a Startup<sup>7</sup>**

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Now, some very difficult decisions had to be made. The summer internship period was complete. The Erroyo team would be reduced before the production process could be tried with a real client. I agreed to stay on to see what I could learn and do. Either Erroyo would crash and burn or it would take off. Employee criterion was developed along with a detailed job description. Erroyo formulated a recruitment strategy based on employment ads in the University of Tennessee's Daily Beacon, the MetroPulse, and also by word of mouth. After holding open interviews for two weeks, two young, very talented individuals were selected to take up where the interns left off on the development team. The development team served as the core team to

tackle collective issues. Mr. Tolsma took a hands-off approach to give creative debates the authority to form the direction of the team.

### **Changing Direction**

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John took to the road to rescue the inept sales strategy. Unwilling to relent to the non-existent client acquisition, Erroyo began leveraging relationships with current RIVR clients and started to attract attention. The other investors including Lamar Alexander came to the rescue by introducing Erroyo to many potential clients. Soon the stream of clients coming to Erroyo included Duke Corporate Education, Vanderbilt University, various departments at the University of Tennessee, and MindBlazer. The salesperson parted with Erroyo after months without meeting sales expectations. During the time the sales strategy was being implemented, Mr. Tolsma wanted more direction from RIVR management, but often felt alone in the struggle. Mr. Tolsma laments that the salesperson never fully understood the vision and, as a result, never fully believed in Erroyo. Mr. Tolsma takes full responsibility for the salespersons failure. Learning from this experience, future salespeople were groomed by John Tolsma and Dee Haslam personally to present the Erroyo's story with accompanying products and services with the highest possible presentation skill.

The defunct sales strategy also taught Erroyo about what clients demanded. The service that clients really wanted was not the short-segment video products for websites. From consulting feedback, Erroyo discovered that short-segment video incorporated into themed presentations formed effective educational and training tools. Organizations were requesting assistance in training large numbers of people in diverse places provided at a low cost, yet with the highest quality. Erroyo researched a multitude of solutions by reviewing the distance learning



markets, corporate training trends, and online educational offerings. What formed was a product that entertained and educated on a maneuverable platform based on a core series of videos. The videos drove the learning experience. But the video did not exclude other types of learning. Complimented by text, interactive activities, asynchronous learning options, participant's feedback, collaboration, and audio, the entire experience proved to be memorable and rewarding for participants. In 2000, CNN reported that the adult education market was reaching \$330 billion a year.<sup>8</sup> The Web-Based Education Commission, led by former Senator Bob Kerrey of Nebraska said that technology had not yet moved from "promise to practice."<sup>9</sup> Erroyo was pushing the limits of what technology could do to make education better. The report by Congress concluded that, "the power of the Internet to transform the educational experience is awe-inspiring."<sup>10</sup> Just as Ross Bagwell rode the wave that ushered in cable programming, Erroyo was positioned to bring educational experiences to a new level of interactivity and quality that would revolutionize learning. Erroyo had to walk in the dark anticipating what clients would demand. No true standards existed. Erroyo's services blended consultation, research, and developing a hybrid product encompassing a central learning experience embedded in an engaging multimedia presentation.

An entire new marketing focus crystallized as short-segment video products for educational distribution over the Internet, via CD-ROM or intranets, took over as the most requested service at Erroyo. Lamar Alexander was able to open doors to educational providers through his contacts in the educational circles. Mr. Tolsma met with many university faculty and staff in the South and along East coast.

## **Constant Improvement**

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The creative process at Erroyo went through quality improvement phases during each of the projects. Erroyo had a very unique, hands-on process so that the client would be involved at every point of development. Erroyo honed its costs down and pushed productivity up as the process improved. Rework costs dropped, completion times decreased, project quoting improved, and clients asked for more business as Erroyo moved along the learning curve. One of the most important process adjustments came on the heels of a very confusing project that ended with the client unhappy and Erroyo scratching its head. It seemed to the client that Erroyo had blundered the production and misunderstood the end goals.

After some open discussion, a new discovery session was designed. The purpose of this formal discovery session was to allow the client to express their vision of the project in as many concrete terms as possible. This focus on customer service enabled Erroyo to differentiate itself from standard production companies and many floundering start-ups. Erroyo was able to grasp expectations up front and thoroughly inform the client of their processes and procedures. This saved Erroyo an enormous amount of time during the process, but also kept costs down.

Another area in which Erroyo found problematic was creating relationships with clients to produce recurring revenue systems. A client would come, get the product, and leave. They might leave very pleased with the product, but Erroyo was not doing a good job developing a quality relationship by aligning the creative process with the clients end goals. Initially many clients never returned at the completion of the product. As this phenomenon materialized, Mr. Tolsma challenged the team to think of new ways that Erroyo could add value to products that would cause clients to return to Erroyo for further business. Brainstorming with clients during

the discovery session allowed employees to envision improved ways to meet customers' demands and keep them coming back.

### **What Made it Possible?**

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Both John Tolsma and Dee Haslam agree that the key elements enabling Erroyo to develop to this point are the people, creativity, and passion. Tolsma praises RIVR for attracting world-class talent, providing advice, and initial capital. The people at Erroyo have cultivated the entrepreneurial spirit with creativity and passion. Erroyo is a mission and a vision. Mr. Tolsma says that employees that want nine to five jobs would never survive at Erroyo. Employees have a base salary that is competitive, but are compensated on work over and beyond the job description especially if they utterly delight the customer. Employees take active rolls in cultivating close client relations. New employees were recruited for design, integration and programming, production, and sales. Each new employee was carefully selected and given the room to truly shine in their responsibilities. They have each raised the standard of quality.

Employees at Erroyo do not have many of the perks associated with larger, older companies, but they have other perks that more than compensate. Erroyo enjoys something similar to the intimate spirit of a close sports team. With such a tight team, Erroyo is able to work intensely. But when projects get stuck in the operations pipeline and everyone is working overtime, stress levels can sore. Usually, Peter Tolsma acts as de-stressor and maintains a productive atmosphere. Employees often socialize together after work and on the weekends. They have a bond that breeds a spirit of unity and respect.

## Challenges

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Erroyo faces major challenges and opportunities as it approaches its eighteenth month of operation. Up to this point, Erroyo's size has been a great advantage to maneuver quickly as a startup. The critical position of flexibility in Erroyo's strategy cannot be overemphasized. The initial business plan quickly changed as the theory and expectations behind Erroyo met the reality of the markets and clients demands. Erroyo could not have survived if it had hung on doggedly to its original plan. Professor William A. Sahlman, Dimitri V. D'Arbeloff Professor of Business Administration at Harvard Business School says, "[I]n my experience, . . . on a scale of 1 to 10, business plans rank no higher than 2 as a predictor of likely success. There are many other factors that dominate the business plan, per se."<sup>11</sup> No functional area at Erroyo could have reached this point without bending to meet the needs of the client, but also by anticipating the multitude of changes Erroyo faces daily. Erroyo must maintain flexibility as processes become more structured. With growth, the Erroyo experience will become standard, but it must never lose its current fanaticism with customer service.

Another challenge facing Erroyo is the ongoing debate over intellectual property rights. As educators work with Erroyo they usually form a contract to retain all rights to their property. A few clients have allowed Erroyo to use some portion of their product for promotional purposes. Without an actual sample of its services, Erroyo struggled to explain to potential clients its core competencies. Erroyo was able to convince a few clients to allow Erroyo to showcase the recently completed projects. By showcasing some of its best work, Erroyo was better able to communicate to clients what Erroyo was all about. The sample was great, but to reach excellence in the market, Erroyo must never rest on one prototype project. The standards

must consistently improve to meet the opportunities of increasingly more powerful computer processors, larger information pipes, and more technologically savvy clients.

Peter Tolsma's responsibilities lie in vigilantly maintaining the bottom line. Peter Tolsma is, in Mr. Tolsma's words, an invaluable asset to Erroyo's success. One caveat of a startup is that money cannot come in fast enough and it always leaves too quickly. Peter focuses on keeping that money in Erroyo's bank account. No travel expense is approved without consulting Priceline.com, expedia.com, and a few other discount travel portals. All expenditures must be approved through Peter. This is one great challenge that will not go away. A company must make cash outlays to expand, but with the proper amount at the proper time. RIVR Media has been traditionally a cost conservative company. Erroyo is no different. This conservatism is a double-edged sword. It forces Erroyo to be very frugal. To take Erroyo to the next level of economic prosperity, risks will have to be taken that neither RIVR Media, nor Erroyo is accustomed to experiencing. One reason Erroyo did not go bust, like so many other startups, was this risk aversion. Something will have to give to raise revenues and accelerate growth.

Location has played a crucial role in Erroyo's success. Geographically, Erroyo sits right in the middle of its client's locations. With more clients coming out of New York and Massachusetts, as well as in North Carolina, Erroyo must stay close to increase their effectiveness in reaching client expectations. Dee Haslam admits that Erroyo will be in Knoxville in 2002, but beyond that, she is not certain.

### **The Future**

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The future success of Erroyo depends on a few variables. First, Erroyo must continue to recruit the brightest, most ambitious employees who are willing to make the necessary sacrifice to bring in better clients and produce better quality products. Erroyo needs additional

sources of revenue to increase productivity. Another round of investing could provide the funding to expand more rapidly. If current trends continue, the prestige of the client roster will continue to attract clients. Erroyo will bring in more business clients in addition to courting more universities. The two branches of service will be in corporate training and university production. If investors will remain faithful and patient, Erroyo has the opportunity to become a very great organization with impressive returns.

As of this report, Erroyo has met and exceeded its quarterly revenue goals since day one. It is pacing to become a very profitable and exciting company to watch in the future.

### **Conclusions**

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Part of the reason I decided to analyze Erroyo for my senior honors project was its energy and novelty. No two days were alike at Erroyo. There was always an entrepreneurial buzz in the air. The work environment was busy and chaotic at times, but always creative and filled with excitement. Its novelty was exhilarating as the product, industry, and atmosphere constantly changed. My personal experience with Erroyo was educational, but more importantly I learned first hand the elements that make a start-up successful. Classroom theory came alive as I applied the things my professors taught to real business situations at Erroyo. Each decision presented me with an opportunity to study, theorize, and finally act to the move Erroyo forward. I learned how to delve into opportunities by questioning face value and asking what John Tolsma refers to as the “why?” questions. Why does it matter? Why does a client want this? Why bother? Questioning the norm was also critical to excelling in business. Never being content with past performance and always enacting improved methods for processes pushes a company to be more competitive.

Another reason I chose to do this particular project was my passion to see this adventure from as many angles as possible to help me understand and capitalize on my experience. Sometimes you have to stop and look back to learn where you have been and what you have become. To see Erroyo from day one to now, over a year and a half, is very beneficial to my future success in business. The Erroyo venture gave me a chance to really make a difference in the life of a company. I can see how situations, problems, and opportunities all wrapped together make me a more valuable employee. We almost started out as Erroyo.com and could have gone the way of so many other dot-coms, but fortunately we made the right decisions, met our investors' expectations, and have become very profitable with a great future potential.

I hope that the reader of this paper gets a sense of the history of RIVR Media as well as the environment in which Erroyo was conceived. There is great wisdom in studying successful ventures. I have learned that a team, united in a vision, with solid financial backing can launch a profitable start-up. But it does not stop there. Consistently reaching for perfection must be at the forefront of any successful business. I will take this lesson with me throughout my life.

## End Notes

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- <sup>1</sup> Zander, Ed. "How to.com: Executive Perspectives: Principles of Startup Survival."  
[www.sun.com](http://www.sun.com)
- <sup>2</sup> The following comments concerning direction of RIVR Media were obtained during an interview with Dee Haslam on November 5, 2001 at RIVR Media in Knoxville TN.
- <sup>3</sup> "Size of Net Will Double Within Year." Cyveillance  
[http://www.emarketer.com/estats/20000713\\_size.html](http://www.emarketer.com/estats/20000713_size.html). 11 July 2000.
- <sup>4</sup> Borland, John. "Living Up to the Broadband Hype." CNET News.com, July 28, 1999, 4:00 a.m. PT <http://news.cnet.com/news/>
- <sup>5</sup> Sahlman, William A. "The New Economy is Stronger Than You Think." Harvard Business Review. November-December 1999.
- <sup>6</sup> Sandford C. Bernstein & McKinsey Study, 1999; Forrester Research.
- <sup>7</sup> Comments focusing on John Tolsma's thoughts and actions were compiled from personal interviews concluding on November 5, 2001 at Erroyo in Knoxville TN.
- <sup>8</sup> <http://www.cnn.com/TECH/computing/9905/05/neted.idg/index.html>
- <sup>9</sup> Bennet, William J. and David Gelenter. "Improving Education With Technology." Education Week. Vol. 20. Number 26. Page 68. March 14, 2001.
- <sup>10</sup> Ibid.
- <sup>11</sup> Sahlman, William A. "Some Thoughts on Business Plans" Harvard Business School November 11/14/96: 1-2. Professor William A. Sahlman prepared this note as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation. This work was copyrighted in 1996 by the President and Fellows of Harvard College. To order copies or request permission to reproduce materials, call 1-800-545-7685 or write Harvard Business School Publishing, Boston, MA 02163.