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Fruitful discussions

Mango Languages finds growth requires strategic spending plan

By Nancy Kaffer

When **Mango Languages** started in 2007, the company had one mission: Launch the website.

"We were putting one foot in front of the other," said Jason Teshuba, CEO of the online language-learning company. "Get the website up, get the product done. We knew we were on some very limited funds, so we had to come up with some creative financing."

In 2009, Mango reported roughly $3 million in sales, up from $1.3 million in 2008, and 27 employees in its Farmington Hills headquarters, with another 80 workers worldwide.

A lot has changed for Mango—including how the company spends its money.

"Now our strategy is still "get it done,' but those deals are very different," Teshuba said. "Now we're more traditional about it. We do a standard budget. We have to plan things out and think of the whole picture."

It's an important transition for stage-two companies, said Mike Semanco, president of Huntington Woods-based **Hennessey Capital L.L.C.**, a nontraditional lender that often advises the second-stage businesses it services.

"Creating a strategic plan for spending makes it very focused instead of scattered," he said.

And having that strategic plan, Semanco said, makes it possible for a company or entrepreneur to take calculated risks.

"You can take those big risks if you have (the decision) wrapped around a plan," he said. "We look at it here as, "How much money are you prepared to lose, and how does it impact the bottom line?""

Jason Teshuba

Two common spending pitfalls Semanco sees: "We see companies start down a path, spend some money, change the path and spend some more money," he said. "Or we see spending to try to make things more diversified, but they don't have a game plan."

Teshuba said he and his management team ask three questions about any potential deal, guided by the "hedgehog concept" described in Jim Collins' popular 2001 book *Good to Great: Why Some Companies Make the Leap...And Others Don't.*

"If you can imagine three circles and they all intersect in the middle," Teshuba explained. "You're trying to discover what the company is deeply passionate about, what it has the potential to be the best at and what drives the company's economics. The point in the middle is the hedgehog."

But incorporating more spending into the company's strategic plan can be a necessity for stage-two companies that want to grow.

"When you're first starting out, the real estate decision for the garage entrepreneur was very simple: cheap. The cheapest office you can find that will do the trick," Teshuba said. "If you went through our first office, it was basically a warehouse, a windowless warehouse with people making phone calls. And it was ugly."

These days, he said, real estate decisions are more complex.

"They're much more integrated with other decisions, specifically talent-procurement strategies," he said. "We can't just say, "Let's get the cheapest office,' because that could hurt our ability to attract or retain people who we want to work for us."

Similar is spending on infrastructure.

"At the stage-one level, the idea was cheap, cheap, cheap," he said. "Get it done for as cheap as you possibly can."

But with a global operation dependent on reliable communications, that's no longer the best way to spend.

And, Teshuba said, you can't ignore the competition.

"If you look at the way you fit into the marketplace in stage one, before your product exists on the market, you have this idea in mind that you're going to be the disruptor in the market, and in some ways maybe you're right, but the competition doesn't know you're coming," he said. "Who's worried about a guy who's not there yet?

"At that point you have a little bit of an advantage coming in from that angle, but when you get to the stage-two level, your investment strategy has to consider current and future competition. The competition has had a chance to get to know you, has had a chance to study you, has had a chance to ask real customers in the market what they like about you. You're not stealth anymore."

The scope of funds available to a stage-two company changes, said Ronia Kruse, president and CEO of Detroit-based **OpTech L.L.C.**, a technology consulting company with revenue ranging from $8 million to $12 million in the last three years.

"In a startup, you're using a lot of your personal assets to fund your company, from using credit cards to a small equity line of credit," she said. "After you've been in business for a while, you're using those funds, in my opinion, to grow your business, investing in people, investing in technologies, investing in maybe an acquisition of another business, and maybe you've gotten some larger clients that require you to dip into a larger line of credit."

But just because you can access more funds doesn't mean you should.

Businesses must take the current market and economic climate into account, Semanco said.

"Don't go out and spend on that piece of equipment if you don't have the job," he said. "In the past, people bought equipment saying, "If I spend it, they will come.' Now we say, "If the job is not on my floor, I'm not going to buy it.' "

Another reason, Semanco said, the strategic plan is so important: "If you have the plan and you know where you're going to go, it allows you to be much more focused on your spend," he said.

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MANGO LANGUAGES

- **Location:** Farmington Hills
- **Top executives:** Jason Teshuba, CEO; Ryan Whalen, chief marketing officer; Mike Teshuba, chief technology officer; Mike Goulas, COO
- **Year founded:** 2007
- **Revenue:** $3 million in 2009
- **Employees:** 27 at Farmington Hills headquarters, another 80 worldwide
- **Accounting firm:** Count Plus, Lathrup Village
- **Bank:** Level One, Farmington Hills