

HOUSTON BUSINESS JOURNAL

Strictly Houston. Strictly Business.

Week of December 21-27 2007

A Second Helping

Stephen King didn't hesitate when he got the chance to buy back his business idea and start over from scratch

BY MARY ANN AZEVEDO
HOUSTON BUSINESS JOURNAL

Not many entrepreneurs get the chance to buy back the idea for a successful company they've sold and do it all over again.

Stephen King got that chance, and he's hoping to do things even better the second time around.

His company, Kingwood-based GrowthForce LLP, is an outsourced accounting and financial services firm that aims to help small businesses grow.

Basically, GrowthForce takes charge of a company's accounting functions so that management can focus on its core business, says King, who founded the company in July 2004.

His strategy to get GrowthForce up and running on a sound basis was simple. For the first two years, he dedicated his time and money to developing the company's products and services in an effort to meet what he describes as "insatiable demand."

"I wasn't focused on sales right away because the hard part is providing consistent quality services," he says. "My first two years were completely focused on building the infrastructure and business procedures and making sure they were scaleable."

Growth came after that, with the first dedicated salesperson hired as recently as Oct. 1, 2007.

King is no stranger to running things.

Early in his career, he became the first manager of the accounting systems design group at Ernst & Young LLP, where he learned "how to build accounting systems for really big companies," such as MasterCard International.

There, he realized his passion was small business, so he started his own certified public accountant firm. It was then that he

realized just how disorganized many small businesses are when it comes to finances.

"They could outsource their payroll to ADP but couldn't outsource their bookkeeping to anyone," King says. "I saw an opportunity there."

Unfortunately, the timing wasn't right. Technology had not yet caught up with what King envisioned creating to solve such problems for small businesses.

So, instead, he became chief financial officer for one of his clients -- nonprofit organization Amnesty International. There, he was in charge of putting into place infrastructure to handle donation revenue -- which grew from \$6 million to \$18 million in about 18 months.

It was at Amnesty that King learned how to be a management accountant, teaching non-accountants to work with an accounting system by creating simple procedures.

By 1995, Netscape 1.0 had been released and King instantly saw in it a way of bringing to fruition the business idea he had thought of years before.

He created a company called Virtual Growth that ultimately became one of the largest outsourced bookkeeping and accounting companies in the country for small businesses. During that time, King says he basically spent \$12 million building "Virtual Accountant," a system he describes as "'QuickBooks' on steroids over the Web."

By December 2001, King had sold the business to Houston-based **Administaff Inc.** for an undisclosed amount and become president of that firm's financial management services.

But in 2002, Administaff's stock tanked and some operations were put on hold. By January 2004, King's division had been shut down, and he had the chance to buy



CRAIG H. HARTLEY/HBJ

**Stephen King of GrowthForce:
Helping small businesses keep
accounts straight.**

back the idea and start his original company over again -- but without any clients.

To fund restarting the company, King relied on personal savings, lines of credit and credit cards.

And so GrowthForce was born. By that time, "QuickBooks" had advanced and King could build upon it to provide services to his customers.

GrowthForce focuses on putting a strong accounting system in place for small businesses because "small businesses need timely accurate financial information in a format that allows them to make intelligent business decisions" such as pricing and staffing, King says.

The company also offers an "à la carte" outsourced bookkeeping and accounting service whereby companies have all their bills sent directly to GrowthForce, which then makes all their payments.

For one startup, for example, GrowthForce does all the billing and collections and serves as its accounting department. For another company, GrowthForce serves as a remote controller and reconciles all its balance sheets, bank accounts, payrolls, supervises its

GROWTHFORCE: Outsourced accounting and financial services firm

bookkeeper and produces its financial reports.

"Most office managers know enough 'QuickBooks' to be dangerous, because it may be easy to use but it's also easy to screw up," King notes.

Also, to help prevent fraud, GrowthForce will help a company close its books because many instances of fraud occur, for example, when an employee writes him or herself a check and posts it to a prior year without anyone ever knowing.

King tells all his clients that the person handling the "QuickBooks" files should not be the one reconciling the accounts.

His strategy for growing the business was to start by targeting customers in a small geographical area until he had proved the concept. Early on, he served only companies in the Kingwood and Humble areas but has a client base in Houston, New York City, Boston, San Francisco, Denmark and London.

Revenue grew to \$450,000 in 2006 from \$158,000 in 2005 and King is projecting it to exceed \$1 million this year.

"I've done this already. The first time, we grabbed any business we could get," he says. "But now I know how much of a demand is there for this service. ... It's very unusual to have the luxury to get the same business model twice."

King says another strategy has been to take things slowly and only expand as much as the business could afford. The company has mainly used cash flow to

fund operations. Every time GrowthForce has reached profitability, King increased spending by adding another person, for example.

"This time we're growing from a position of strength, not insecurity," he notes.

Another strategy for growing the company, King says, is hiring only those he considers to be "key players" for every position.

Yet another key for growth is one he learned from Administristaff executives: giving employees a healthy work-life balance.

By giving employees the flexibility to attend parent-teacher conferences or take their children to baseball practice, King recognizes that he will have happier employees who will care more about the business since it "cares about them."

And that, King says, has been the firm's most important strategy thus far.

"We want to provide the kind of environment that nurtures employees," he says.

Most of GrowthForce's business comes from CPA firms that don't want to do basic bookkeeping. In the end, the clients and CPA firms come out ahead financially, he says.

Mary Elizabeth Marx, a shareholder at Houston-based accounting firm Harper & Pearson Co. PC, says she refers many clients to GrowthForce.

"It's become harder and harder for accounting firms" to do bookkeeping for

clients, she says. Some clients need immediate attention that her firm simply can't always offer.

"In order to have enough people, we were either having to spread them too thin or not meet a client's needs," Marx says.

Outsourcing bookkeeping functions to GrowthForce has been an ideal solution for certain clients.

"GrowthForce has all the technological tools to make it affordable to clients and is much less expensive than hiring a full-time person in-house," Marx says.

GROWTHFORCE LLP

Business:

Outsourced accounting and financial services firm

Year founded: 2004

Top executive:

Stephen King, founder and CEO

No. of employees: 16

Revenue:

- 2005: \$158,000
- 2006: \$448,000
- 2007: \$1 million-plus (projected)

Web site: www.growthforce.com

mazevedo@bizjournals.com 713-395-9657