

**Stephen Shank, founder, Capella Education Company**

Another mission-critical objective was to create an organization in which commitment to traditional academic standards is merged with the creative application of strategic management and technology concepts. In 1993, to further this goal, Shank recruited Dr. Harold Abel, an experienced leader in higher education, to serve as the founding president of Capella University.

Abel's academic leadership helped generate the credibility required to gain the support of skeptical regulators from the accrediting authority as well as state authorities and the U.S. Department of Education. Since its inception, Capella has played a pioneering role in building cooperative relationships with government, community and educational institutions in an effort to create a quality assessment system based on measured educational outcomes. It's no surprise then, that in 1998, the Department of Education selected Capella University as one of the initial national demonstration sites for distance learning.

Shank's passionate commitment to providing students with a profound online learning experience gave birth to the creation of a corporate culture in which individuals from many different disciplines collaborate effectively with a shared focus on unparalleled customer satisfaction. Effectively communicating its explicitly defined core values is vitally important given that the Minneapolis company has 252 full-time employees as well as 240 adjunct teaching faculty located across the country.

Their efforts have obviously paid off. Since university operations began in 1994, the compound annual rate of enrollments and revenues are 87 percent and 98 percent, respectively. 2000 revenues were \$15.8 million and may come close to doubling in 2001. Capella is on track to achieve profitability in the second quarter of 2002.

Shank's vision and ground-breaking efforts in an exciting

new market have not gone unnoticed by other Twin Cities executives. "Capella has succeeded because Steve insisted it become everything that then-distance learning was not," said Doug Berg, founder of Bloomington-based Techies.com. "The trail he blazes forces everyone in the business of training and education to raise standards, to take a closer look at customer needs, and to question our assumptions about what makes learning relevant and effective."

—Phil Bolsta

#### LEADERSHIP: INDIVIDUAL

## Joel A. Ronning CEO & Founder, Digital River

**V**ision. Innovation. Spotting and seizing opportunity. That's leadership. Joel Ronning's leadership abilities emerged earlier than most. While still a student at the University of Minnesota, he earned \$15,000 a month with a software program he wrote to track hard-to-find Mercedes Benz cars for dealers. It was just the beginning. Since then, Ronning's leadership has launched three more Minnesota companies, along the way producing seven patents in encryption technology and digital delivery.

By tempering his success — and the success of his companies — with a focus on Minnesota, Ronning is attracting and building intellectual capital akin to that of Silicon Valley, which will contribute to Minnesota's technology community well into the future. Tekne Award judges agree: "Ronning has made his mark on Minnesota by setting a standard of success through his strong leadership and commitment to promoting technology in the state."

#### History

From the launch of MAC USA — Ronning's direct-marketing and catalog company — and Tech Squared, a software and peripherals distribution company — to Digital River, Inc. — the Eden Prairie, Minnesota Internet-based software delivery company — Joel Ronning has proven his ability to predict market trends, seize an opportunity and succeed. While all of his companies have been market leaders, Digital River has become the hallmark of his vision and innovation.

Anticipating the impact of the Internet back in 1994, Ronning started Digital River with a new vision: "To use the Internet instead of retail to deliver software, and be recognized as the world's largest source of inventory, transactions and fulfillment of software products on the Internet." He rightly foresaw delivering software via the Internet as more efficient, cost-effective and environmentally friendly than delivering it on disks in boxes.

Two years after beginning operations, Digital River reached \$3.4 million in net revenues. Upon attaining its aim of market leadership among software publishers, Digital River broadened its goals, setting its sights on becoming the world's leading provider of e-commerce outsource services. By 2000, six years after inception, Digital River was at \$31.2 million in revenues — proving that it could build successful business-to-consumer and business-to-business e-commerce solutions for a range of



clients, from manufacturers and distributors to brick-and-mortar retailers. The company has attained more than 80 percent market share of the digital services and software publishing market. At its current pace, analysts project Digital River net revenues in the neighborhood of \$57 million—with the company reaching profitability—by the end of this year.

But it didn't just happen. Ronning's foresight positioned the company to take advantage of the Internet boom when it came in the late 1990s. Likewise his sound judgment—what some might call prudent restraint—helped the company weather the Internet bust as well.

Digital River's unique and comprehensive approach to e-commerce, along with its diversified product and service portfolio, garnered stability and the ability to generate revenues through changing market conditions.

Indeed, in the second quarter of 2001, while many companies missed earnings targets and laid off staff, Ronning grew Digital River's revenues 97 percent over net revenue logged the same time last year. He did this efficiently, growing his employee base by only 20 percent, while reducing operating expenses 76 percent—“metrics that many companies only dream of achieving,” according to Perry Steiner, a general partner with Arlington

Capital Partners. Unlike other companies of recent times, Digital River has had no significant lay-offs due to a slowing economy.

### Silicon Valley Culture, Minnesota Style

It's important to Ronning that he builds his successful technology companies in Minnesota, rather than Silicon Valley. Digital River offers a fun-spirited, Silicon Valley culture grounded in midwestern values and a strong work ethic. Its open environment encourages people to stretch their talents and have fun at the same time. For example, it's not unusual for an employee to attend a company barbecue on a Wednesday afternoon, bring a dog to work on Thursday or share a beverage with a colleague on “beer Friday.”

It's not just his employees who benefit from Ronning's leadership and Minnesota focus. Ronning, his companies and his family contribute to the state's technology landscape. Recognizing the importance of higher education and training, Joel and his wife, Patricia, recently co-chaired the board for Minnesota Technology, Inc.'s Scholarships for Technology Careers program. Joel is also visible and proactive in sharing ideas and views with other technology leaders at local business roundtables. Finally, the national media attention festooned upon Ronning and Digital River (in publications such as *Interactive Week*, *Internet Week*, *Internet World*, *Business Week*, *Smart Business*,

*Smart Partner*, *Powerlunch*, *CBSMarketwatch* and *CNNfn*) fosters awareness of Minnesota as a strong technology state.

According to Tom Madison, president and CEO of MLM Partners, “[Ronning's] success can be attributed to his leadership skills—his ability to stay focused on a vision, set out objectives and motivate people to achieve results. Digital River is proof of his ability to turn vision into reality.”

—Greg Irsfeld

## START-UP

### E-Travel Experts, LLC

Given that the online travel market expects to total \$12 billion in 2001 and soar to \$29 billion by 2004, it's no wonder that Tom and Kelly Doering think the sky's the limit.

Their Eden-Prairie based company, E-Travel Experts, has carved out an impressive niche providing Internet customer care to the travel industry through consulting and fulfillment services. With a brand-new call center opening in Mankato's new Technology Plus Center nine months ago, and revenues expected to more than triple to \$7 million in 2001, the firm has positioned itself well for an even bigger growth spurt.

E-Travel Experts currently handles customer service for Northwest Airlines' e-commerce site and provides airline ticket fulfillment and related services for Orbitz.com, whose Web site offers competitively priced fares from more than 450 airlines.

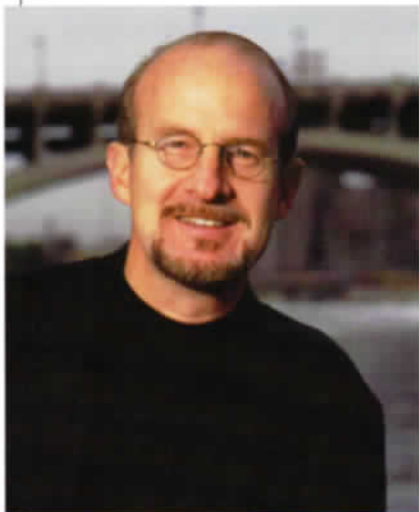
Recognizing that the travel industry requires a high level of personal, one-on-one customer care, the Doerings have placed a top priority on employee training and ongoing learning. All staff members must complete three weeks of training on quality, technical and customer service issues before they begin supporting customers.

The Doerings also look for every opportunity to be proactive. For example, although Northwest contractually required that customer e-mails be answered within 24 hours, E-Travel Experts was able to reduce e-mail turnaround time down to an hour through appropriate staffing and building their knowledge base of answers by tracking and analyzing customer inquiries. That research enabled them to refine the FAQ (frequently asked questions) and other existing information on Northwest's Web site. “We try to anticipate what customers will ask and get them the information before they have to ask the question,” said Doering.

When Northwest began selling tickets online in 1997, it worked closely with the Doerings' new company (founded that year as FocalPoint, Inc.) to develop from scratch a customer support structure for the new online sales channel. This year, Northwest's Web site will sell more than 2 million tickets and provide hundreds of other products and services online, all supported by E-Travel Experts.

As Al Lenza, Northwest's vice president of distribution and e-commerce, noted, “E-Travel Experts has provided excellent support, most recently earning Northwest top customer service awards from Web experts like Gomez Advisors.”

In contrast to their work with Northwest, E-Travel Experts provides a completely different suite of services for Orbitz, one



Joel Ronning, founder and CEO, Digital River