

*Case Study:  
Distribution Company*

## Company Overview

Since being founded in 1950, this stocking distribution company has had several partners and offered various instrument product lines, factory automation devices, air distribution products, electric heating and control paneling, wire harness devices and related engineering services. The two current principals share equal ownership but have different agendas for the company and themselves.

## Level Of Involvement

Chairman's View was hired in early spring 2005 for a standard 3-month engagement. CV was retained for an additional 6 months to help the ownership implement the necessary changes to strengthen the company's value and achieve their goals. The client is currently using CV's performance dashboard to drive growth and maintain accountability.

## Initial Chairman Impression

Throughout its history the company has adapted its structure and product line to grow and remain competitive. Their products are good and personnel are loyal. However, recent focus on the day-to-day operational matter has weakened corporate structure, created financial and managerial disorganization, and compromised its revenue pipeline, delivery system and customer service. In order to remain competitive, find new growth, and meet the needs and objectives of the principals, the company must once again adapt in key areas.



## Company & Owner Goals

1. Install Management structure, process and accountability  
Install new processes and systems that enable both the desired growth and a 5-Year recap/exit. The details of the needed change represent the majority of the plan. The timing to complete the majority of changes is 3-6 months.
2. Grow to a GM + Commission of \$4.0-M in 5 years  
Capitalize on major opportunities externally on the Controls side and move into new areas such as Radio Frequency Identification. These opportunities will begin to take root in 2005, and begin showing real revenue in 2006. Explore potential acquisitions.
3. 5 Year recap/exit plan  
Given that the above is executed, there will be good options in a few years. The key to success is making sure the right corporate and operational structure is in place, and linking the company plan to the principal's personal plans.

## Course Of Action

After three months of extensive interviews with owners and top management, Chairman's View identified a list of actions necessary to achieve the company and owner goals.

### Corporate Structure

- Create a board for accountability and institute routine board meetings
- Create a partner term sheet and redo agreement
- Establish personal financial planning as an executive benefit

### Financial Organization

- Establish an annual budget
- Sensibly categorize corporate finances
- Install Performance Dashboard

### Revenue Pipeline

- Track sales and quote data
- Identify new growth markets and sales opportunities
- Formalize cross selling, a quote follow-up process and "call planning" with sales staff
- Decide if add space is a given marketing expense or traceable tool
- Explore promotions by principles
- Establish sales personnel compensation plan
- Focus mind-set of sales personnel on generating sales
- Restructure sales territories
- Effectively deal with key staffing problems

### Delivery System

- Create a job description for a Customer Service Manager and fill the position
- Commence weekly Customer Service report
- Incorporate part/sales data and specialized pricing into sales management software
- Require sales personnel to use sales management software and give them remote access

### Management Structure

- Review/implement information flow structure with staff
- Commence weekly Managers meeting
- Establish and implement review process
- Train backup for mail distribution



## Results

*The collective actions taken by the owners created an efficient delivery system, which has enabled a stronger sales process and has helped restore staff moral and accountability. The changes also freed each owner from the confines of day-to-day operations, and allowed them to redefine their own roles and focus on new and exciting growth opportunities.*

## CHAIRMAN'S VIEW

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