



CASE STUDY

The Importance of Operational Structure & Effective Leadership

Case Study: Aerospace Manufacturing Company

Executive Summary

A 27-year old aerospace manufacturing company was on the road to going out of business after management of the company was transferred from the two company founders to their widows upon the owners' deaths. At the time, the business was slated to begin layoffs in September 2013 and go out of business in December 2013 unless drastic measures were taken to turn the company's sales and operations around.

Challenges

Two of the biggest hurdles to this business' success were in its executive leadership and operational structure. The two women who now managed the company did not get along and made for an ineffective partnership. Meanwhile, the company lacked a workflow structure and growth strategy, was not actively driving sales, and only had tepid relationships with many of its existing clientele.

Once sustainable growth was achieved, the company encountered a new problem: that of an excess of cash to the tune of \$600,000 to \$700,000 in its first year and around \$1 million in its second year. This excess of liquid capital created a heavy tax burden on the company each year.

Solution

Multivariable Solutions began its consulting relationship with this company in March 2013, when the team immediately got to work establishing a strategy not only to save the business from closure in the short-term, but to also turn it around and promote sustainable growth over the long haul.

As part of its revived business plan, the company name was changed to reflect its services more accurately, a budget and fully-integrated Enterprise Resource Planning system was put into place, and measurable growth goals and milestones were established. A number of employees, including the two executive partners, were restructured or relocated to promote a more positive and productive work environment, and a director of sales was hired to drive sales. A buy-sell agreement – which was never established before -- was also put in place for the two operating partners.

Once the business began experiencing sustainable growth, the next step was to resolve the excess in cash flow by establishing a profit-sharing plan for employees. Within the rules and scope of the plan, the business was able to defer its tax burden, while

simultaneously compensating its employees for the growth of the company.



Results, Return on Investment & Future Plans

Instead of being faced with closure by the year's end, the company, which had never grown to more than \$2 million annually in its lifespan, finished the year after its relationship with Multivariable Solutions at \$3 million and finished the following year at nearly \$3.5 million. Their establishment of a profit sharing plan enabled the business to defer hundreds of thousands of dollars in taxes, as well as give its employees a financial stake in the company's success.

Today, the business continues to grow and now has the structure and tools in place to continue its growth. The employees share common goals, the executive team enjoys a more positive work environment, and the company as a whole continues to work as a team toward positive, sustainable growth.