

CLIENT: DIVISION 8 INC. COMMERCIAL CONSTRUCTION

THE SITUATION

Division 8 Inc. provides glass and glazing to commercial and public buildings. They have successfully and quickly grown since its inception in 2001. However, they had come to a point of increasing uncertainty on how they could grow their business to the next level while increasing profitability. The management team had differing views on how to develop the company further as they were monitoring the speed of growth, the capabilities needed to support it and the succession plan.

In addition, the company had identified several issues that could impact the potential for further growth. The company's operations were mainly based on tribal knowledge without many explicit rules of engagement or formal processes. The reliance on tribal knowledge resulted in sporadic gaps in communications, occasional budget overruns that raised the level of stress of maintaining the company at its current size. Furthermore, these breakdowns impacted the acquisition of supplies, the management of the project and business development. As a result, there was a growing concern on how to best increase profitability and grow the company without losing control.

Last but not least, as the organization grew, it became harder to maintain the culture and reinforce the communication. This mainly showed by some employees feeling overwhelmed trying to keep up with their increasing responsibilities. There seemed to be an avoidance of having difficult conversations between owners, management, project management and field personnel. This significantly increased the stress and started to break down trust among different members in the office and field.

The owners of the company recognized that this was not a sustainable scenario. Their board advisors recommended them to talk to Strategic Momentum to help them with these issues.

THE APPROACH

The ERM program for Division 8 started with a strategic off-site with the board advisors and owners. In order to ensure we understood the dynamics, we first performed individual interviews of all key players to understand what was preventing them to plan in the first place.

At the first off-site, the following results were produced:

- The owners were enrolled into a shared Vision. This was a breakthrough as it allowed everyone to be on the same page as to how they wanted to grow the company.
- The team developed the environmental map and strategic drivers. Within the vision, they identified the big picture forces that were or could affect their future operations.
- The team became aligned and committed to bringing forth the vision. They identified the action items they needed to take on in terms of financial performance, customer relations, process and infrastructure building.

One of the key findings of this off-site was the recognition that they needed to formalize their processes. Up to that time, most processes were ad hoc and based on tribal and implicit knowledge. The first process that we tackled was the Supply Chain Process. Materials are by far the largest cost item. They represented about 56% of total revenues and the variance between original quote and actual price varied between 3%-15%. The next step in the ERM program was to expand the use of some of the ERM distinctions within the organization while developing and formalizing their process infrastructure. During this phase the company:

- Created cross-functional teams to develop the process. This included management, purchasing, finance, project management and superintendent. These were the main parties that were either affected or could affect the performance of this process.
- Appointed one of their key employees as process owner to closely work with us so he could become proficient in developing this and other processes.
- Went on to build formal core processes and identify the key performance indicators with cross-functional teams, including project management, business development, change and back order, fabrication, communication and several more.

As part of the transformation to become a process-based company, they also implemented a much more advanced accounting system that allowed them to accurately allocate expenses. In addition, the implementation of adequate financial controls allowed the owners to develop a management perspective of the financials. They now have a monthly review of where they

are, where they are going and understanding the cash flow needed to get there.

Implementing ERM, while solving these business issues, enabled the people of Division 8 to embody skills and conversational competency to become a high-performing organization. The ERM program combined hands-on facilitation and cross-functional education of key ERM distinctions to build enrollment, capacity, competency and commitment to becoming a high-performing company while achieving strategic and operational milestones. The core team meets every two weeks to focus on:

- Enhancing leadership capacity of each team member by leading from a vision, allowing them to enroll their team members while being grounded on responsibility and accountability.
- Building relationship and trust through cross-functional teams enrolling into the vision, and making them all part of the solution. This greatly increased the clarity, capacity and competency of the team members.
- Addressing the team interaction and communication issues by educational sessions on leadership and communication. People embodied the conversational dynamics through making powerful requests, making and managing strong promises This allowed them to directly address difficult conversations between owners, management, project management and the field force.
- Creating and managing clear roles and responsibilities where each member has enrolled into a new future. The clarity further helps them to have open and authentic conversations.
- Introducing and utilizing new management tools based on the use of leading indicators and main milestones where each person is fully accountable for their promises and achieving milestones. These milestones are reviewed every week to focus on those milestones that are in danger of slipping.

THE RESULTS

Division 8 now has a more committed workforce, with a higher sense of responsibility and accountability, willing to speak up and immediately address the issues and difficult conversations as they arise. The company went through a transformation where they now call themselves a process oriented company, which is growing, more profitable and has an empowered workforce. The mood and morale of the entire team shifted and was made much stronger through the implementation of the ERM program.

The strategic offsite, and the subsequent off-sites, allowed them to make and fulfill a greater commitment that they have done ever before. The whole team pulled together and is committed to creating a brilliant future. This is all reflected as follows:

- They realized an immediate ROI in the first 3 months of 30+ times their original investment.
- The supply chain process reduced the materials expense from 56% in 2006 to 46% in 2007 to 43% in 2008 of their annual revenues. This change alone added \$1 million to the bottom line in 2007.
- The company's EBITDA went from 5% in 2006, to 14% in 2007 to 18% in 2008, while their revenues increased by 11% and 14% in 2007 and 2008 respectively.
- Their backlog, at the time of this write-up in Q2 2009, equaled their last year's revenues of 2008. They are well positioned to stay a leader in their field.
- They successfully were able to recruit for key positions. These key hires became productive immediately because of the documented processes.
- Greater enrollment into the future possibility and adoption of new management tools by the project managers, project engineers, business development, finance and management has led to fewer missed deadlines, cost overruns and problems with project close outs.
- Better financial controls allowed management to reduce finance cost, have adequate operating financing and a better outlook into the future.
- Greater company involvement for identifying new future projects. This is now a company-wide initiative.

TESTIMONIAL

I am writing to commend the efforts of Strategic Momentum in guiding the transformation of our company. Prior to our first off site strategic planning session, our firm had been plugging along with a moderate level of success. Having exhausted our first five-year plan, we were going through the motions of growing our business but without any real direction. We now have a renewed vision for the future and a plan to make that vision a reality.

From the time of our first meeting it was apparent that Strategic Momentum had something to offer, however, we had no idea of the level of depth that could be brought to the organizational processes that you have coached us in implementing. Empowering our people and allowing them to expand on the ideals that we have all been exposed to by Strategic Momentum has provided our overall team with exponential professional growth and an awareness that everyone's input is crucial to the health and ongoing welfare of our firm.

We look forward to our continuing work sessions, and we are convinced that we have connected with the right group.

Sincerely,
Robert N. Hoyt, CEO