

## Case Study of a Professional Services Firm in the Engineering Industry

**Situation** – This three year old engineering firm was founded by a division manager of a large engineering firm and was joined by three key engineers. Their reputation gave them instant credibility and the company took off like a rocket. Although making money the first year, they lost money the second year and profitability when hiring ABA in the third year was weak. Cash-flow was tight and their bank was concerned so they recommended the company talk to American Business Advisors. A needs assessment determined the owner wanted to 1) Build infrastructure to support growth, 2) Find people to fulfill needed roles, 3) Double the revenue of the firm, 4) Locate new marketing opportunities, and 5) Increase cash flow.

**Action** - ABA performed a series of Developmental Consulting™ services to accomplish the company's objectives, including:

- Performing a Strategic Financial Analysis of the company and recommend how to increase profits and cash flow.
- Developing a Strategic Financial Forecast of their profits, cash flow, and capital requirements and create a plan to get them into the top 25% of the industry
- Developing a Marketing Plan and Implementation Plan
- Creating a performance compensation plan
- Assessing current practices, processes, and systems, document them and define solutions for reengineering them
- Recommending new software
- Creating an organization design to take them to the next level.
- Providing an outsourced Chief Operating Officer
- Developing a formal Strategic Business Plan
- Developing five year exit strategies to accomplish the owner and wife's personal objectives

**Result** – At the end of the first year the company's revenue increased 29% and Net Income before Taxes increased \$292,000 over the prior year. At the end of the second year revenue increased 57% over the prior year and Net Income before Taxes increased \$563,000 over the base year. Systems were redesigned and new software installed so the management team could track jobs and determine profitability on them. The bank increased their line of credit. In year three they rested their line of credit for six months and increased it again to prepare for a backlog of new contracts that will create significant growth next year. They also established an effective management team. The company's Current Ratio is 7.8 to 1 and their Debt-to-Equity Ratio is .2 to 1. Net Income before Taxes this year is tracking to end the year again at about \$550,000 over the base year. Currently, the company is realistically projecting at 46% increase in Revenue next year and a Net Income before Taxes of 13.8%.



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