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MINORITY BUSINESS ENTREPRENEUR



FRANK VENEGAS
Ideal Group

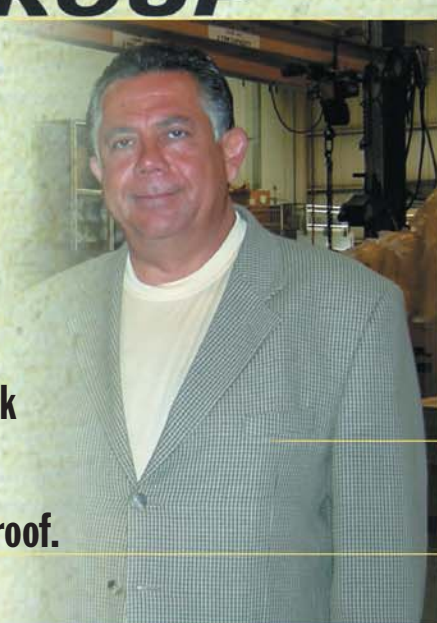
the Ideal Entrepreneur



If it's true that we create our own luck in life, then Frank Venegas is living proof.

By Emily Richwine

A lot of people think Frank Venegas is a lucky man. His story has become a legend of sorts in business circles in and around Detroit. It began 27 years ago, on a night when Venegas was feeling particularly lucky. The son and grandson of autoworkers, Venegas took a chance that would change his life, and, it turns out, the minority business community, forever.





It all began with a \$150 raffle ticket that he purchased at a local builder's association dinner-dance. The grand prize? A brand-new gold Cadillac Coupe DeVille. It would have been a dream car for anyone, but for Venegas, it meant so much more.

"One-hundred-and-fifty bucks was a lot of money back then," he says. "My wife was pregnant with our first kid,



Jesse, Frank, and Linzie Venegas.

and we had just bought a house, so we were a little light on cash, but I just knew I was going to win. They kept narrowing the group down and down, and I remember when there were just about eight or nine of us left, this guy offered us \$1,200 each if we sold. I was the only one who said 'no.' Then it got down to three, and he offered us each \$3,000. Then, there were just two of us, and the guy offered us \$5,000. My wife told me to take the money, but I just knew...and I won."

Venegas drove the dream car for nine days, before deciding to sell it and go after an even bigger dream—owning his own business.

"I just had to do it," he explained. "There was nothing that was going to stop me. Nothing."

Although he faced challenges along the way, nothing ever did stop Venegas. Today, his firm, the **Ideal Group**, is one of the largest Hispanic-owned companies in the country, growing even beyond Venegas' own wildest dreams. The small steel and building supply company he started nearly three decades ago is now a sizeable conglomerate, with six separate business units that do everything from design-build work for the construction industry to

supply chain solutions for the major automakers. Last year, the firm pulled in close to \$121 million in annual sales, and Venegas expects to pass the \$150 million mark this year.

"I'm just the luckiest guy in the world," Venegas says as he begins to tell the rest of the story. But as he recounts more and more, it's obvious that while luck certainly played a part, it was Venegas who created his own good fortune.

The story of Frank Venegas really began years before that fateful night at the raffle. A self-described "mischievous" kid, Venegas grew up in the suburbs of Detroit with his parents and two brothers. His father, the son of a Mexican immigrant, worked on the line at Ford Motor Company. But it was his mother, a seamstress by trade, who taught him about business.

"In the neighborhood where we lived, people used to bring things over to my mother for her to sew," he recalls. "She would get a little business, here and there and, over time, her business grew and grew. Then she got her big break. Miss Harriett's Dance Studio opened and asked her to make the dresses for a recital. So my mom did that recital, then there was another recital and another. She used to take the money she made and store it in glass jars. One time there as a long strike at Ford, and we were really getting low on cash. So my mom finally says, 'I have some money.' So I helped her pull out all of the jars. There must have been about 10 or 12. She emptied them out on the floor, and the more she counted, the madder my dad got. I don't think he ever realized how much money she was making. But she used to show me her business ledger and how she did things, so I guess she was really the one who passed down the business sense."

Although there was an entrepreneurial spirit that ran in the family, Venegas' father had different dreams for his son. More than anything, he wanted him to pursue engineering. Somehow he scraped up enough money to send his son to college, and Venegas went, even though his heart was never really in it.

"Bear in mind my father and grand-

father were hourly workers, so they wanted me to be an engineer," Venegas explains. "That's what they thought I wanted to be too. I was the very first one in my whole family to go to college, but I only lasted two years and then I quit."

Feeling like he was just not cut out for college, Venegas returned home and got a job right away, sweeping floors at a local steel and building supply company. Remembering what his father had always taught him—do what your boss doesn't want to do, and you'll get his job every time—Venegas quickly became "the best floor sweeper in the whole wide world."

"I swept the floors real good, and when we would run out of inventory or something, I would go tell the boss," Venegas says. "I did those kinds of things of my own free will, and before I knew it, I was running this whole area of this guy's business. I kept getting into different areas, and I would learn them and keep them organized. Eventually I knew half the place, parts of which nobody else knew expect the owner."

Venegas also made a point to always be polite to every one he interacted with, especially customers. Over time, he developed relationships with them and proved his value by bringing some of them back, and even getting some new ones, during a big price war. Eventually, Venegas was managing a store on his own, but he still wanted something more—a business of his own.

"Then came the big dance," Venegas says about his decision to sell the Cadillac and start his own company, leaving his job, and his \$65,000-a-year salary behind. "I just had to do it. I won in October and started the business in December 1979. I think I was too young and stupid to have any real fears. The economy was just skyrocketing, and I was just fearless."

That fearlessness, coupled with the \$12,000 he had gotten from the sale of the car, a few thousand dollars of his own money, and backing from an initial business partner, was all Venegas needed to start his own steel and building supply company, a firm he named Ideal Steel and Builders' Supplies. In its first year of business, the company did more than \$400,000 in annual sales and,

with a booming economy, it seemed as if nothing could stop the young firm. However, the very next year, the bottom fell out and Venegas nearly lost it all.

"If you can imagine this, interest rates to buy a house were at 18 and 19 percent," Venegas recalls. "The whole economy just shut down in the United States. There was just no business. Who's going to buy a house for 18 or 19 percent?"

Venegas did everything he could to survive. He started selling wood-burning stoves, and then he got into what would be the company's salvation—commercial steel fabrication.

"I didn't really know anything about steel, but we did supply steel beams for houses, so we were kind of in the business already," Venegas says. Then known as Ideal Steel, the firm specialized in providing structural steel and finished steel products to the commercial construction industry. "We did it just for survival because there was nothing else. A lot of the guys we did business with were home builders, but they started doing a little commercial work because they were trying to survive too. I'd do any job. I didn't care what kind of job it was. We always said there was no job too small and we meant it."

Slowly, Venegas built the company back up, but not before losing his business partner and filing for Chapter 11 bankruptcy in 1986. As the new sole owner of the firm, Venegas was able to refocus the company, this time using old ideals that had always worked for him in the past: treating people well and working hard. In a few years, the commercial steel company was doing well, and Venegas was even able to start another company, a steel erection firm. Over time, Ideal became more and more popular, and word spread fast.

"Ford called me in 1990 and said they needed more minority content in their buildings," Venegas says. "They had heard about the work we had done, and they said they were looking for guys like us. At that point, I didn't even know we were a minority-owned company, but I got certified, and we started doing these little \$5,000 to \$7,000 jobs for them. We finished them, there

were no complaints, and everyone was happy. And then they started to give us bigger and bigger jobs. And before we knew it, we were a tier-one supplier to Ford Motor Company. Then we were a tier-one supplier to Chrysler and then General Motors. Those three have been the corporations that have supported us all along, and they still do."

With work from the Big Three, Ideal grew phenomenally over the next several years. And in the mid-1990s, the company got another big break, inventing a product that would revolutionize the industry. The Ideal Shield was invented out of a need that Chrysler (now DaimlerChrysler) had for miles and miles of steel guardrails at their facilities that would require as little maintenance as possible.

Unlike traditional steel guardrails, the Ideal Shield used a high-density polyethylene thermoplastic sleeve to eliminate the need for routine painting and maintenance. The product line, which also included sleeves that could slide over existing guard posts, has grown to include wall systems, clearance bars, bike racks, handrails, sign systems, cart corrals, goal post door systems, and rack protection products. The revolutionary invention has helped the Ideal Group nab other big name corporate clients, including the The Home Depot, Wal-Mart Stores, Inc., McDonald's Corporation, Eli Lilly and Company, Tyson Foods, and J.C. Penney Company, Inc.

While there was no question Ideal was doing well, Venegas couldn't help but feel like there was still something missing. Venegas, who had always thought success meant getting out of Detroit, had set up all of the company's operations in nearby suburbs, but in the mid-1990s, something brought him, and Ideal, into the heart of Southwest Detroit.

"A friend of mine, Hank Aguirre, a former pitcher for the Detroit Tigers, started a business the same year that I did," Venegas says. "And one day he called a bunch of us out. He called us 'chicken sh--s' and asked us why we weren't down here with our people. At the time, unemployment in Southwest Detroit was at 28 percent. The gangs were running the streets like crazy, and

it wasn't uncommon to see prostitutes walking up and down the streets. It was terrible."

Despite the bleak surroundings, Venegas and three other Hispanic business owners saw value in sharing their good fortune. Together the four purchased an abandoned Cadillac factory warehouse (coincidentally the same factory where Venegas' prize Cadillac Coupe DeVille was built years earlier) and started the Hispanic Manufacturing Center (HMC).

"We went out and talked with the gang leaders and asked them how we could create some peace in the neighborhood," Venegas says. "What they said was they really just wanted jobs. Good jobs with medical, dental, and the opportunity to succeed, just like everybody else. So we hired these guys. About 15 to 20 percent of our workforce were gang members. It was a huge risk. But what we found was really talented people."

People like Daryl Palms, an ex-con who came to work for Venegas following a stint in prison. Palms now manages a large chunk of Ideal Shield's production and has since been able to provide a better life for his family. Or people like Christina Villarruel, who came to Ideal with little education or marketable skills but amazing potential. She now serves as Venegas' second assistant and has the capability to create a high-paying career for herself as an executive assistant.

At the height of the HMC's success, it employed more than 500 workers and served as a template for similar facilities in Milwaukee and parts of Texas. Although the other three businesses have since closed their operations within the HMC for various reasons, the Ideal Group has remained, making the location its corporate headquarters. Other companies, including Federal Express, minority-owned Vitec, and Bridgewater Interiors (also minority-owned), have followed suit, setting up shop in the transitioning neighborhood.

"It absolutely has changed this community," says Venegas, who also does a tremendous amount of work with the Detroit Hispanic Development Corporation, a non-profit organization that provides bilingual services to

youth, adults, and families in the community. "It gave people the opportunity to change."

Strengthened by its new diverse employee base, Ideal continued to take advantage of new opportunities. In 1998, Venegas attended the Minority Business Executive Program (MBEP) at the Tuck School of Business at Dartmouth College. The program, the first and oldest of its kind, provided Venegas with the executive education he needed to take the business to the next level.

"I can remember I didn't really want to go at first because I thought I had too many things to do," Venegas says. "It was Chrysler who called and stressed how important it would be for me. I learned a lot of things there, how to run the business more efficiently, how to do marketing, and how to look at accounting. I remember we wrote things down on these sheets of paper that we wanted to take back to our business. I had them hanging on my wall for a long time."

So inspired and invigorated by the experience, Venegas went back to attend the school's Advanced Minority Business Executive Program the very next year. He has since sent several of his staff members to the executive education programs.

Venegas began to lead the company into new areas in 1998 with the creation of Ideal Contracting, a joint venture with a national contracting company, Barton Malow. Ideal expanded its services even further in 2000 with the founding of Ideal Technologies, LLC, a partnership with a company called Jabil, Inc. to do electronic assemblies, circuit board manufacturing, and kitting and logistics for some of its current customers. In 2003, Ideal got into the indirect material management arena by establishing another joint venture, Ideal Setech Share-the-Spare LLC, which was created primarily to provide warehousing facilities and services to support General Motors. Two years later, a separate material management firm, Ideal Setech, was created to serve

a new base of customers.

The Ideal Group, formally established in 1999 to handle the administrative aspects of the company's multiple business units, reported annual sales of \$72 million in 2000. The company continued to see impressive gains over the next several years, completing some major steel jobs, such as work on the Detroit Tigers' new Comerica Stadium, the Detroit Lions' new Ford Field, and Southwest Airlines' Terminal A project at the Detroit Metropolitan Airport. The company reported sales of \$85 million in 2001 and \$111 million in 2002. That same year, *Hispanic Business* magazine listed the Ideal Group as the 50th largest Hispanic-owned business in the United States. On paper, everything looked great, but trouble was brewing.

"We were hemorrhaging money," Venegas says. "We were losing money big time. The company was almost broke. And we almost had to close it all."

The problem, Venegas says, started with bad management that came on board in 2000 and only got worse with the huge steel price increases of late 2003 and early 2004. Venegas' star business unit—Ideal Steel—was losing thousands of dollars a day, and Venegas knew he had to do something to keep the company afloat.

"It was the hardest thing in the world to close the steel company," Venegas says. "It was what I knew. It was what I had grown up in. But I was going to lose it all, and I had to do something."

Venegas got out of the steel business in 2005, laying off more than 200 employees and shutting down business units that at the time accounted for nearly half of all of the Ideal Group's sales. The firm, however, soon emerged as a new company with new management, which included many from the Venegas family. Venegas's brother, Loren, now serves as company president, and Frank's two children, Linzie, 26, and Jesse, 25, have also come on board.

Retaining its profitable Ideal Contracting, Ideal Residential, Ideal Shield,

Ideal Technologies, Ideal Setech, and Ideal Setech Share-the-Spare units, the company focused on profits, looking at what they did well and where they could make money. Surprisingly, sales figures and, more important, revenues, never went down. Although it was a difficult lesson to learn, Venegas says it's one every minority business owner should heed.

"As a minority business, you always hear the same old thing: Grow or go. Eat lunch, or be lunch. Grow, grow, grow," Venegas says. "I have to admit, I was in that crowd too, but I've realized that if you grow 25 percent a year, you'd better be doing everything right, because if you're not, you're going to fail and you're going to have the chance to lose everything. You have to remember, a lot of minority businesses started out as entrepreneurs; we started out on our own, so we never had a lot of money. So every time we grow, we sign a bank note, and the more we grow, the more the bank owns. But you can't grow perfect every year, which is really hard to explain to us because we think it's impossible for us to fail. But if you do, the bank is right there ready to take everything."

True to character, Venegas credits luck again for being able to survive recent ups and downs, but once again, there's much more to the story. In the last year-and-a-half, Venegas has strengthened the Ideal Group with the same ideals that have worked for him time and time again, creating a new vision for the company that promises future fortune.

"We are just working really hard at making our business better," says Venegas, now 54. "As minority businesses, we need to start building the wealth. We're not the Wrigleys or the S.C. Johnsons, but why can't we have a giant minority business like that? The real wealth that could happen from all of this is that we could create that dream for all of those other silly geese out there that want to be the next Ideal Group."

With any luck at all, the dream will no doubt continue. ♦

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