

FRANK VENEGAS JR.

CHAIRMAN AND CEO, THE IDEAL GROUP INC.

When Frank Venegas Jr. is talking with potential customers, he finds it hard to describe why The Ideal Group Inc. is right for the job. Venegas, chairman and CEO of The Ideal Group, compares the situation to asking your grandma how she makes her homemade pie. If you didn't watch her make it and see how she knows the right amount of ingredients without measuring and how she puts her own touch on the pie, then you can't fully understand why the pie is so special. That's why Venegas lets potential customers into his plant, and he says he gets more business this way than by just talking about why his company is the right choice. This method of selling potential clients on his company — which provides construction services, manufacturing and indirect material management — has led The Ideal Group to 2006 revenue of about \$160 million. *Smart Business* spoke with Venegas about how he got his company out of trouble by keeping his commitments and how he handles mistakes.

Keep your head up when you hit a rough patch.

Six years ago, I lost 85 percent of my net worth. But when we made commitments, we kept the commitments.

Some guy that I owed \$200,000 to and I just couldn't pay him, I said, 'Listen, I can't pay you. I can file Chapter 11, but that's not what I'm going to do. I'll give you \$15,000 a month until the bill is paid.' Guess what? He got his \$15,000 a month until the bill was paid.

When you live by the Golden Rule — 'Do unto others as you expect them to do unto you' — it makes things easier. Everyone gets himself or herself in some trouble, but it is the way you get out of it and handle it.

The customers are key. We explained our issues to the customers. We had meetings with our employees, which is real, real important. They hear that you are on credit hold or changing vendors or the general nervousness of the management. For a while there, we were spending 90 percent of our time on problems and 10 percent on new things. Now, we spend 1 percent on problems and 99 percent on new things.

In addition, being able to have your door open if they wanted to ask you a question. Leave it open, and let your creditor and anyone who wants to know anything be able to call you.

Be consistent. You can make changes because you think you are bigger or because you think you should, but something got you there. Say you have a certain grocery store that you really like to go to; they have everything you like. They have that steak you like, and you might pay \$2 more a pound, but it is always nice. The place is clean, and it just keeps you coming back.

Now, they change the kind of meat, they change what they do, maybe they change the manager and maybe they aren't as nice to you, and all of a sudden



that store doesn't give you that, 'Wow.'

I always like Nordstrom. You go in Nordstrom, and it is consistent all over the country. They set the core values, put them in place and said, 'We aren't going to change them.'

That is the biggest thing I lost when bringing on a new lead manager seven years ago. He did not share the same values on the corporation and my values. I've been through some real tough times here, and most of the people stayed right with me because we were very upfront with things.

It's more of the values that brought you there that are the most important. Are there changes in your accounting or things you do? Sure. But it is keeping your consistency on what got you there.

Be willing to start over. I can go back into times when I have this great idea, and I take it to my customer and say, 'What

do you think of this?' They say, 'We don't think much of it because we are going to be doing this.' Now I found out before I fail, maybe it's time to ask some questions on what I am going to try doing.

Prepare yourself on what the customer wants. One of the key things we do here is we manage customers really well, but customers don't like that saying. But technically, when they ask us to provide a service to do something, they are telling us to take care of this.

Part of the check-off box is managing what you are going to sell them. If you are in the service side of things, it's really important to know, understand and manage your customer. You want to take care of his needs, and that's our job.

Find people who will give it to you straight.

Many people don't want to hear they are doing badly. You need someone hammering on it. You can be an owner or manager and know all about the financial but find out you know very little.

You have to have people that will tell you the straight story. I had a great accountant that worked for me for years, and that management guy I brought in got rid of him. As soon as I got rid of (the management guy), I got the accountant back, and he comes in every month and goes through things. Not so much to find fraud but to take a look, see what is going on and make sure that everything is going the direction that you want, as well as being able to ask, 'Why not?'

A lot of guys don't want to hear that they are doing bad or burning cash — [they think] entrepreneurs are superstars and can do almost anything, but that's not true.

HOW TO REACH: The Ideal Group Inc., www.weareideal.com or (313) 849-0000

THE MANAGEMENT JOURNAL FOR CORPORATE GROWTH

SmartBusiness[®]

a SMART BUSINESS NETWORK[®] publication

DETROIT

SMART LEADERS

The Ideal Group's Frank Venegas Jr. on why change isn't always a good thing

FAST LANE

SAVE On Everything's Mike Gauthier: Figure out what you're best at, and do it

Extreme makeover

How Bharat Desai took Syntel Inc. from a local player to a global force by changing the mindset of 1,000 employees