

CASE STUDY - MEDICAL



**What Happens when a Doctor Run Company
Becomes More Professionally Managed?**



50%-100% Growth Guaranteed



Summary

BEFORE	After 3 Years
▶ Revenue \$20M, low profitability at < 10% ▶ Four Locations, one failing ▶ Founder stressed with no real management team. Doing everything himself. ▶ Growth rate: 12-15% CAGR ▶ Poor morale and recurring revenue with high employee turnover. ▶ Business Value: ~ \$20 million	🚀 Revenue \$40 million, high profitability at over 25% not including huge increase in enterprise value. A triple of the growth rate. 🚀 Six locations, moving to 8 🚀 Founder has full team in place (done in first 6 months). Less stress, more success and growth. 🚀 CAGR: 40%-50%+ 🚀 Morale improved greatly. Reduction in turnover, especially in senior positions. 🚀 Offer to buy from private equity firm for \$60 million due to better recurring revenue, growth and strategic position in marketplace. A 3X increase in a few years.
<i>RESULT – ROI increase of \$40 million in enterprise value for an investment of about ~\$100,000 (400X). All growth and more than paid for from internally generated cash without any outside financing or dilution.</i>	

What was Done?

This engagement lasted about fourteen months at the maximum speed the organization could handle it without disrupting the business. The management team members dedicated about two hours per week (< 5% of their time) to the program. This time was gained back in increase productivity and reduced firefighting within ninety days. After the fourteen months program only occasional work was needed with new employees taking the video training as they came into the company.

Main engagement work which combined training, coaching and consulting to design the program and installation of our proprietary systems:

- 1. **Management Development** (MD = Management training) program including all managers and corporate headquarters and each location via video on-demand learning system. This synchronized both language and business thinking frameworks.
- 2. **Organizational Development** (OD) program run for 14 months to install the management systems needed. Think of the OD as the skeleton of the company's "body" and each department as an organ of the body. These systems were installed:
 - a. Installation of goal setting system (MBOOKR/SMART)
 - b. Installation of corporate and department dashboards with Key Performance Indicators (KPIs) for the company as a whole and for each area of the business which mapped into the company's strategic plan.
- 3. **Development of a strategic plan** which resulted in a change in financial strategy to reinvest profits in growth, and also save millions in taxes for the Owner. So, the government effectively paid 50% of the growth investment made, creating a compounded return of over \$40 million in three years in increase equity value plus a profit stream that was six times bigger.

 Management Best Practices	Phase I – Month #1 to month #12 - Implement Management Development (MD) Program to Upgrade Existing Team's Capabilities and leverage internal people
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The entire management team was trained in management best practices using a “Flipped classroom” model where they consume the video at their own pace and meet weekly to review the material and do Q & A with the training coach and expert. Each week the team discusses implementing what they learned that week and looks for ways to test or implement it in the following week. This program has hundreds of proven best practices of management and leadership embedded. Managers and employees love the opportunity to grow and learn creating more loyalty and a culture that attracts better people.

Phase II – Months 2 to 5 - Implement Management Cadence, Goal Setting (MBO)

Starting in the first month a Management By Objective (MBO) system was set up with training and coaching for all managers. This was one monthly meeting of 90-minutes with a strict agenda. This system invented by Peter Drucker, The Father of Management, is shown by independent research to increase value creation in business 56%. As a result, all of the following improve dramatically over 90 days and three-monthly cycles of practice:

- 1. Team communications improves dramatically
- 2. Planning and budgeting improved with a monthly to three-month check-in and update. A professional part-time CFO was also brought in to do better financial management.
- 3. More reasonable goals are set so that there is a balance between managers and CEO’s expectations and more realistic and achievable plans.
- 4. Synergizing the team to gel as one and work together more closely.
- 5. Collaboration results in each team member helping the others.
- 6. The team is aligned to the Strategic Plan and long-term goals of the corporation.



No company can improve without measurement as famously stated by The Father of Management, Peter Drucker.

As companies grow their planning and timeframe for this must stretch.	
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Hiring and Organizational Management

AirTight helped interview and hire three additional division managers, as the company had three divisions, with all staff essentially reporting directly to the Founder still. Policy and procedure manuals were written to improve quality and consistency at each location, and reduce the cost of training new people.

Three additional managers were also hired to manage departments that were expensive but had no real management presence. This greatly improved productivity, far more than the cost of the managers, in short order. It also expanded sales channels, marketing and revenue.

	Phase III – Month 4-6 - Implement Corporate and Departmental Dashboards to have Key Performance Indicators (KPIs), or Metrics for each Department
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A Corporate dashboard was designed by AirTight Management (this is art, not science) and the team took between one hour and four hours of video courses on dashboards depending on their level in the company. Individual contributors take 1-hour, Managers 2-hours and Executive level people 3-Hours of training total with some group coaching and Q & A. Our experts design the dashboards. We believe this is one of the most cost effective and impactful things for companies to do. It has huge leverage and free managers to focus on working “on”, not “in” the business.

Once the Corporate Dashboard was running smoothly and the team knew how they worked and made life easier for everyone a Department Dashboard was designed and implemented for each department (or Division in a larger company). This had the immediate impact of:

1. Focus on what mattered each month and quarter with improvement goals.
2. Visibility of real productivity and a culture of constant improvement (Kaizen)
3. Total transparency across the organization on how each department was doing, and how others might help them if they were struggling creating a culture of “We as a team” not politics for personal gain
4. Each manager had more time leverage and knew what to work on each month because they were able to use Management By Exception (MBE), a sort of auto-pilot for managers.
5. The culture and team, right down to each individual contributor felt they knew what was expected of them and how they supported the annual and quarterly corporate goals
6. Each monthly senior staff meeting was efficient and effective, knowing exactly what to put management resources into, and what was running perfectly by itself.
7. The managers felt empowered and trusted, and as a result ran their area like a business they owned with pride on the accomplishments and proof of their successes.

Phase IV Months 4 to 9 - Improve Technology For Competitive Advantage

When beginning the engagement, the web site and technology department was run by a very junior programmer. Someone with good technical experience but no real management or even high level design and architecture experience. Essentially a bus driver running the national Greyhound bus company. A good person but in the wrong seat on the bus, as Jim Collins describes it in the classic text Good To Great.

Most CEOs without deep technical expertise cannot tell a Programmer from a Software Engineer, from an Architect, or a Director of Software Development from a Chief Technical Officer (CTO). All of these are vastly different in experience and focus. Like the difference between a CFO, Controller, Accountant and Bookkeeper. Each requiring three to five years more experience to climb these levels in the career ladder.

Every business has the opportunity to use newer technology to create competitive advantage. Technology can create more speed, save costs and even do things competitors cannot to create sustainable competitive advantage via trade secrets, patents or proprietary processes.

Ongoing Maintenance with Quarterly Strategic Planning and Management Sessions

Although this is an individual case study the fact is that almost all small businesses need to do exactly these same things. It does not matter what industry, because people are people and management and leadership are the same in every industry. So is psychology and communications.



**Schedule a free business Assessment or
Strategy call now.
Learn More Today**

Notes:

All clients are confidential. The same results cannot be guaranteed for everyone, though it is always our objective to set up clients to grow at 50% to 100% per year and create a defensible market position to sustain this revenue and profit growth long-term.