



FIREFIGHTERS OF NORTHEAST WISCONSIN

After completing 6-month initiative, owners of AMC of Wisconsin say this was the opportunity they needed to improve and grow

*by Sean Fitzgerald,
New North B2B publisher*

When AMC of Wisconsin President Axel Mendez began working with our business consultant back in February as part of *New North B2B* magazine's annual business improvement initiative, he thought it might be best to scale the company back to focus on more profitable operations and possibly eliminate those lines of business which were flat and even losing the company money.

Now six months later and much more financially astute, Mendez and his wife, Carmina, have streamlined many of the processes within the Fond du Lac fabricator of decorative stone countertops to make them more efficient and drive more profit to the bottom line.

The Mendezes and AMC of Wisconsin achieved improved operating efficiency with the help of Gary Vaughan of Appleton-based Guident Business Solutions. Vaughan donated his time and services as part of B2B's sixth annual Firefighters

of Northeast Wisconsin initiative, which pairs together some of the region's leading business consultants with business owners struggling to put out the fires in their companies and grow them to the next level of success.

Vaughan spent three to four hours a month with the Mendezes since this past February, giving the couple books to read and other homework assignments to help them become better financial stewards of the money moving in and out of their business. Vaughan said he watched the Mendezes gradually make better business decisions and earn better customers. Those decisions were made "by the numbers," Vaughan said, and eventually allowed the company to shift its emphasis away from a longtime customer who often cost it money.

Sales and new orders are flowing in, Axel acknowledged, primarily because the home building industry is booming once

again to fulfill demand for housing. High customer demand has also been driven by the company's steadfast reputation for on-time delivery of orders and impeccable service after the sale, Vaughan said.

As a result, the Mendezes aren't planning to scale back their operations – as Axel projected they might do six months ago. They've simply been running more efficiently, becoming more lean on expenses and cost estimating each job more consistently than ever before.

"I think that we're learning to manage the business better," Carmina said, indicating that the company is working smarter now compared to six months ago.

Vaughan envisions substantial future success for the company, which primarily sells its product wholesale to retailers and contractors in the home building and home improvement industries.

"There's so many opportunities for these guys to make a profit because they have six different profit centers," Vaughan said. "With all of these things we've done here to increase profit – the customer wouldn't even know that were any changes made to the business."

Emphasis on finances

One of the more strategic decisions the Mendezes made in recent months was to create a position for and hire a fulltime controller. The couple previously handled the company's day-to-day financial management with a part time bookkeeper, backed up with an annual review from their accountant. The decision meant a substantial investment for AMC of Wisconsin, but one the Mendezes are willing to make to carry out a more defined strategic plan for the next three years.

"We never thought about having a fulltime person dedicated to finances," Axel Mendez said. "We were so worried about production and sales."

The decision to hire a controller stemmed from the couple's evolving appreciation of their company's financial information, which Vaughan helped instill early on in their time working together.

Early this past spring, Vaughan gave the Mendezes an

Gary Vaughan

Guident Business Solutions, Appleton
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Vaughan launched Guident in 2009 after spending his entire career teaching – both in the classroom and in business. Having previously spent many years as a business owner himself, Vaughan realized many business owners lacked fundamental skills such as understanding financials, human resource practices and management skills, as examples. His firm's proprietary Guident 360 Assessment Program enables business owners to holistically address their business needs.

Vaughan has professional experience in a variety of industries, including retail, petroleum, manufacturing and academics. He is a senior adjunct instructor in the MBA program at Concordia University of Wisconsin, and a lecturer in economics and entrepreneurship at Lawrence University in Appleton.

assignment to read *Financial Intelligence for Entrepreneurs*, a guide which helped describe financial terms and generally accepted accounting principles in easy-to-understand language. Carmina explained it gave her a much deeper appreciation for the company's financial statements, which she acknowledged she didn't previously care to review. Now she looks forward to seeing updated balance sheets and profit and loss statements,

"Previously we just lived day to day" in the business, Carmina said. "Now we're looking at forecasting and we're looking at budgeting. Before (she and Axel) talked together about the business, now when we're talking, we plan together around the business."

Vaughan explained that as the Mendezes acquired new "financial tools" in regard to understanding their business operations, they've been able to use those tools to make better business decisions for the future.

The Mendezes have finished composing an annual operating budget, which AMC of Wisconsin's newly hired controller will use as a baseline for helping steer the financial direction of the company in the near term. For Axel and Carmina, the budget will serve as a sales and expense target as they evaluate the monthly performance of the company.

Bringing reinforcements

During three of the past six months, Vaughan was assisted by three senior economics students from Lawrence University in Appleton, where he additionally serves as an economics lecturer and coordinator of the school's Innovation and Entrepreneurship Program.

The Mendezes granted the students access to their internal processes and sensitive financial data so that they could help the company develop a strategy to cut costs. The students – who ultimately graduated from Lawrence in June – developed a custom Excel program to help the Mendezes with job-costing projections. Since each piece of decorative stone countertop the company fabricates is completely unique and cut to

COMPANY: AMC of Wisconsin

OWNERS: Axel and Carmina Mendez

LOCATION: Fond du Lac

FOUNDED: 2002

EMPLOYEES: About 40



WHAT IS DOES: Fabricator of decorative stone countertops for the home improvement industry. Much of its product is sold wholesale to a mix of national big-box and local, independent home improvement retailers. A smaller amount is sold direct to consumers through its own retail outlet.

WEB: amccountertops.com

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customized specifications, this Excel program has helped in evaluating jobs after they've been completed, comparing the estimates to their actual expenses for each job. Once the software is fully put into use by AMC, Vaughan said it should help the company validate its estimating process.

Carmina Mendez said the students brought a good deal of youthful positivity and introduced fresh perspectives each week they came to visit.

"It was so great to have these students because they were really bright," Carmina said. She said the students also helped prepare a cash flow budget that the Mendezes continue to regularly review.

The students also helped identify improvements to AMC's retail showroom in Fond du Lac, its only direct-to-consumer line of a business, where as such, it generates higher profit margins for the countertop products it sells through that channel. As part of that project, the students toured various competitors' showrooms to identify and bring back best practices in how the showroom presented products, some of which the Mendezes have adopted.

Turning waste into dollars

The students and Vaughan also spent a good deal of time during the spring months developing a plan to capitalize on the orphan slabs and remnants



B2B photo by Sean Fitzgerald
 High-speed water jets polish recently cut decorative stone at AMC of Wisconsin to make smooth countertops.

created as the byproduct of the company's fabrication process.

In February, Axel Mendez explained the company retains all of its remnant pieces – as well as its pieces that break – and ultimately has tens of thousands of dollars in untracked, unliquidated inventory.

"There's often a need to educate employees that (these pieces) aren't garbage, they're dollars," Vaughan said. "There's a value there. There's a worth there."

The students helped launch a control initiative to track and identify each piece of orphan stone the company has on its manufacturing campus. Carmina Mendez indicated the company then hired an employee to sort through its yard of stone which is no longer usable for countertops, and precisely inventory the materials it has available.



B2B photo by Sean Fitzgerald
 Employees at AMC of Wisconsin remove freshly cut decorative stone from the company's fabricating equipment.

“That’s been a humongous task for us,” Carmina said, noting the company now has a well-defined inventory of those pieces of flat decorative stone for the first time in 15 years. The company expects to begin offering that material to customers soon, bringing some revenue to expenses it’s already accrued.

“It’s not waste,” Carmina explained, “but we haven’t previously been able to (find a revenue stream) for those items.”

As part of the effort, the students researched and developed a prospective customer list of other companies that might be interested in buying the irregular, leftover decorative stone for possible use in landscaping, paving or boutique artisan applications.

Looking to the future

Through their work with Vaughan, the Mendezes have developed and adopted a 3-year strategic plan which lays out a roadmap for where the company is headed.

At the tail end of that plan, the Mendezes aim to eventually move their operation into a new facility in Fond

du Lac. With 36 employees, millions of dollars in machinery and inventory scattered across three nearby buildings, Axel explained that its current production flow is crowded, inefficient and creates opportunities for problems.

A prospective new facility – although at least three years away – would be all under one roof, larger in size and provide ample floor space to ensure product could move efficiently from one process to the next all the way from receiving through shipping.

Vaughan said the Mendezes have been open to trying new approaches in their business operations that vary – sometimes rather substantially – from the approach they’ve taken during the past 15 years. They’re listening, and learning new strategies to employ their new financial tools in profitable ways that should eventually grow their owner’s equity line on the company’s balance sheet, Vaughan explained.

“We did a lot of stuff here over the last six months,” Vaughan said. “It was like drinking water from a fire hose.”

For AMC of Wisconsin and the Mendezes, their experience working

METHODOLOGY

New North B2B magazine began seeking entries for its 6th annual Firefighters of Northeast Wisconsin initiative late last year, with a goal of assisting those northeast Wisconsin small business owners who feel as if they’re constantly burning the candle at both ends, putting out fires, spinning their wheels, but intent on finding a way to improve.

Through the generous help of Gary Vaughan of Guident Business Solutions in Appleton, AMC of Wisconsin’s owners Axel and Carmina Mendez received six months of consulting at no cost to help them work on the strategy of improving their business profitability.

with Vaughan and his students from Lawrence University might have made all the difference from being burned out business owners watching their equity slip away to having a good deal of optimism to the potential growth that’s on the horizon.

“This has been the opportunity that our company needed to improve and grow,” Carmina said. ■



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