

IT Firm Finds New Revenue and Profits

Overview of 42 Inc

42, Inc. is a premiere enterprise-class IT consulting firm with a focus on customer satisfaction. They strive to create solutions to IT problems, increasing productivity while reducing cost. Founded in 1992, 42 has proven the test of time, offering services from internet security, and remote back up solutions to web hosting and cloud technology.

The Problem

Owner Cory of 42 engaged Pacific Crest Group in search of a solution to become a profitable company. 42 had been operating with a negative net income, averaging at around – 2%. The owner had a lack of visibility into cost centers, margins, and employee performance. He had few measurable metrics and the chart of account set up did not allow for a true picture of revenue, COGS, expenses and profits.

Once regular coaching meetings got introduced it was quickly identified that there was inefficient departmental management, and the ISP department was a losing venture. TJ Van Voorhees, PCG's co-founder, provided his insight and looked at their business through a different lense. He questioned everything, analyzed each department and found 42's weak spots.

The Solution

Through a year of bi-weekly meetings with the owner and the management team, PCG provided invaluable advice and recommendations, and created a better flow of information between ownership and managers. Using open book management, information was disseminated to the managers in a way that promoted respect and knowledge of each role with the focus on the financials to maximize profit. Additionally, PCG created a KPI report with a series of benchmarks and ratios to measure performance and margins. The chart of accounts was modified to simplify management's view of cost centers, and as a result the ISP department was closed. PCG implemented a billable efficiency reports to measure employee's productivity. These steps provided insight into problem areas that needed attention or needed to be removed or changed.

Value Added

- Net income went from negative 2% to positive 14%.
- Ownership earned profits of \$500-\$700K a year, for roughly \$1.2 Million aggregate in 3 years. Cost of PCG consulting for 12 months was less than \$75K.
- Reporting structure in place that monitors cost centers, employee performance and profits of the company.
- Outside consulting provided a host of advice and recommendations that transformed the management team into strong leaders.
- Often Owners don't know what they don't know – TJ brought a new perspective to the table and taught the owner new ways he could apply to his managers.

Pacific Crest Group

Back Office Solutions for Bay Area Businesses

<http://www.pcg-services.com>

- Ownership and management gained new knowledge and applied it to their clients. 42 improved service offerings and brought better value to its clients.
- 42 now has the right person for the right job –and they respect each other in the roles.
- 42 turned into an engine, with focus on the financial model of the business to become a profitable successful entity.
- Key employees were offered profit sharing opportunities.