

Industry Peer Groups – A Success

By Rene J. Zarate, CPA•ABV

How many small businesses successfully participate in an industry peer group? The key word being, successfully. A definition for “peer group” can be stated as a close association of senior executives/owners in similar industries available to one another for perspective, insight, and support. Many times, the concept of associating and sharing company information with competitors stops the consideration in its tracks. Rivero, Gordimer & Company’s client MJM Electric, a Tampa-based industrial electrical contractor, has successfully utilized a peer group for almost 20 years. I spent some time with Mark Mazur, MJM’s owner and president, to determine why it works for his company and the group as a whole.

Question: How did you get started with your peer group?

Answer: The original founder of a predecessor company organized the group with members of a national electrical contractor association we all belong to. We are all union shops and have many of the same challenges with our businesses. Two critical keys that help make it work are:

1. The participants are all at the most senior level of their respective company (CEOs/owners), which affords automatic buy-in for sharing.
2. The participant companies are geographically spread around the country and do not compete with one another.

Q: How many companies are in the group?

A: Twelve.

Q: How often do you meet and where?

A: Three times a year, and we rotate the participants hosting the meeting at their location. Everyone pays their own way, and the host typically organizes social events around the meetings. The meetings are two full days of work, with an agenda of financial statement review and critiques and employee interviews.

Q: Do you communicate in between meetings?

A: Yes, typically via email and the use of a Dropbox. If someone has an unusual issue with an employee or vendor, a question is posed and the members respond with their resolutions from similar experiences. Also, if a member needs a template for a form, other members will provide what they use for consideration.

Q: How are you handling succession, as members retire or sell their businesses?

A: This has been difficult, but so far, we have managed. Several former members have retired and new executives have taken their place. The personalities are not the same, so we must work through the differences. A room full of type-A personalities can be a challenge. The best succession plan, and our goal, is for the member anticipating retirement brings their appointed successor to the group meetings to transition the responsibilities. This next-generation transition will determine if we continue to have the success desired.

continued

continued

Q: What values have you derived from participating in the peer group?

A: Several come to mind:

- Having other leaders of similar companies available for advice is invaluable. Within our organization we maintain a very lean management team, dedicating our resources to our field personnel, their equipment, and safety. Being the only senior person can be quite lonely. The ability to speak to someone responsible as I am for the entire business lightens the load significantly. Customer issue, Sureties, and working through organized labor agreements can be complicated.
- The members of the group all bring forth unique experiences and perspectives. Many times, their history provides them with an experience I learn from.
- With our long history working and socializing together, the members know me, and offer an emotional sounding board as well as providing technical knowledge.
- Different members have distinct core competencies that I can draw from.
- Perhaps the greatest value is accountability. As an individual owner, with a healthy dose of ego and control, the group holds me accountable for the goals and results I establish.

Q: What would be a sample agenda for a meeting?

A: Here's an example:

Thursday Travel Day

1:30 pm — Golf

Friday

8:00 am – Leave for MJM Office

8:15 am – Tour office

8:45 am – State of the Company Address

9:00 am – Meeting with Congressman

10:00 am – Break

10:30 am – Roundtable on “safety”

Noon – Lunch at MJM office

1:00 pm – Continue roundtable

2:30 pm – Review financial statements from prior fiscal year

4:30 pm – Head back to hotel

5:00 pm – Happy Hour

7:00 – Dinner

Saturday

Breakfast at hotel

8:30 am – Leave for MJM office

8:45 am – Complete any open issues from Friday’s roundtable

9:15 am – Housekeeping and future meetings

The agendas are tailored to the needs of the host, during that meeting period. At times the host will also have their employees interviewed or their job costs reviewed to gain the perspectives of the others. The balance between office and social interaction has been an important component of the relationships established, increasing trust. Thank you to Mark for sharing his experiences with his successful peer group. I know how much he values it and the benefits it brings to MJM.

Finally, if a company is part of a national trade association, you have the foundation for organizing your own group. Some trade associations will facilitate the process for you, connecting you to like-minded, similar companies located in different regions of the country. Organizing and maintaining a group is work, but based on the results of MJM Electric, we know it can be well worthwhile, that is, successful.

About the Author:

Rene J. Zarate, CPA•ABV, Director of Valuation & Advisory, has practiced public accounting since 1980. He is a member of the American Institute of Public Accountants (AICPA) and the Florida Institute of Certified Public Accountants (FICPA). Mr. Zarate has been awarded the Accredited in Business Valuation (ABV) designation by the AICPA, recognizing his extensive professional experience in business valuations.



Contact Mr. Zarate at 813-875-7774 or rzarate@rgcocpa.com.

NEED MORE HELP? Contact Rivero, Gordimer & Company in Tampa, Florida by calling 813-875-7774 or visiting our website at www.rgcocpa.com.