

# Companies find Northeast Ohio a good place to grow

A few years ago, Bob Fritz considered selling his family business, Avtron Manufacturing Inc., a 56-year old technology company. Independence-based Avtron designs and manufactures electrical control and test equipment for aerospace, industrial automation and other applications.

As he was exploring his options, he found and came to rely on the Cleveland-based investment banking firm Western Reserve Partners to help him in the sales process. "You don't just wing it — doing it right takes time," Mr. Fritz says.

He was amazed at the deal-making resources to be found in Cleveland. "I've lived here all my life and didn't realize the deal-making infrastructure available," he says.

Ultimately, Mr. Fritz sold the company to the Morgenthaler, one of Cleveland's long-standing private equity firms. He says he liked that the firm understood manufacturing and wasn't just

"New York financial guys."

Mr. Fritz's experience illustrates one reason why Northeast Ohio is a good place for owners of small and mid-sized companies to grow their business and ultimately realize value from their investment.

The region offers access to capital, professional services and a skilled workforce, along with a central location and the technical and scientific resources of leading colleges and universities.

## Deal Structure Works

Mr. Fritz was pleased to be able to structure the deal so management received stock options and he would stay on as CEO. "Before private equity that wasn't possible," he says.

Weekly phone meetings and quarterly board meetings have become part of the routine, and a chief financial officer, Rich Garcia, was brought in to provide more strategic overview of the financial side of operations.



Avtron Manufacturing President Bob Fritz was amazed at the deal-making resources to be found in Cleveland when he decided a couple years ago to look for a buyer for the company.

"Properly handled and managed, private equity is a good thing for a company," Mr. Fritz says. "We didn't lose a single employee due to the acquisition."

Employees are a critical component at Avtron, which differentiates itself with the long-term support it provides to its customers.

That wasn't always the case. When Mr. Fritz joined the company in 1974, about 20 years after his family opened a small plant in Cleveland, turnover was higher.

The workforce caliber has improved in part because employees are compensated well and receive excellent benefits,

including profit sharing, what Mr. Fritz has been told is a "Cadillac" health plan.

## Top Talent Required

Avtron employs more than 400 people, many of whom are engineers and other professionals.

Top talent is essential because Avtron produces highly engineered products that cannot be produced by unskilled people.

"We now hire impact players," Mr. Fritz says, noting one hire brought in \$2 million in business and now has customers request him.

"Avtron is able to grow year in, year out with low turnover, and we can find quality people when new hires are needed," Mr. Fritz says. Even that success, though, doesn't mean the employees would be willing to pick up and move if Avtron did.

"If I walk in and say we're going to move to Georgia, they probably would not go," Mr. Fritz says, noting the company isn't asking them to make that decision.

Avtron will continue to operate from its five plants in

Independence and Valley View.

It does so with a global view. About 30 percent of its customer base is outside the United States. The company shipped to 78 countries in 2009.

Avtron also has experienced sales records for five or six years through 2008 and expects to post an all-time profit record for 2009 even though sales dipped.

"We've grown rapidly. As you grow, your culture and outlook change. Morgenthaler has helped us in that process," Mr. Fritz says.

## Concept Fills a Void

When Richfield-based Construction Labor Contractors had its first 40 people on the job, they popped the champagne cork. If they did that today, they would be popping corks more than 20 times a day.

"On an average day we have 850 full-time workers on the job," says Vice President Rob Reese.

Construction Labor Contractors is another Northeast Ohio success story.

The company provides skilled labor to construction contractors and industrial project managers. By leasing craftsmen, contractors can control their costs while delivering high quality construction work.

Founder and CEO Tim Cherotti says the company was created to fill a void. Although non-union contractors comprise about 85 percent of the labor pool, they did not have a "union" hall where the jobs were distributed.

"The non-union sector needed a better way to provide skilled labor to 'merit' construction contractors," he says.

Operating from 15 offices in nine states, Construction Labor built its own corporate headquarters in Richfield four years ago. In 2008, the company posted its most successful year with \$40 million in revenue.

That's a long way from 1997 when Mr. Cherotti started the company with just \$100 and an



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office in his basement.

He took the leap following four to five years of experience working for staffing and headhunting firms.

"I decided I could do it on my own," he says. I felt I understood the industry, had the experience, a bit of luck and the good hires to be successful."

Mr. Reese joined six months after his former fraternity brother at Kent State University started the company.

"It worked out well," Mr. Cherotti says. "Long tenure is part of our corporate philosophy. We treat employees as if they're family."

### Longevity Rewarded

The results speak for themselves. Over half the corporate staff has worked at the company at least five years.

Mr. Reese says the Ohio office staff serves as an example for the entire company.

The Akron manager has worked there 11 ½ years.

The Columbus manager has been there nine years, and the Cincinnati manager has been there seven.

Longevity is rewarded by Construction Labor, which pays 100 percent of health care costs after an employee has been with the company five years.

Mr. Reese says Construction Labor is not really a temp agency because full-time employees have benefits, such as paid holidays and vacations, 401(k) participation.

Employees would not find those opportunities working for a traditional temp agency or a small construction firm.

A construction company with 20 employees can't offer the same benefits package that a larger company like Construction Labor can.

In 2008, Construction Labor sent about 2,000 W-2 forms. In addition, Construction Labor's 5,000-plus clients mean employees won't experience the layoffs they could working for a single employer who hits a down cycle and doesn't have enough work.

Both Mr. Reese and Mr. Cherotti say that the secret behind Construction Labor's success is how it treats its employees and its clients.

"A labor company is all about relationships," they say. Without relationships, the company would be a commodity and pricing would be client's only consideration.

"The reason we're so successful is because we create a pleasant work environment," Mr. Cherotti says. "We put employees and clients first — it really promotes longevity and only adds to stability. It's rare we lose an employee we didn't want to lose."

Although 2009 brought disappointments due to the economy, Construction Labor already is

seeing an uptick for 2010.

In fact, the recession has helped their clients recognize the full value the company offers.

In a construction boom people turned to us when they needed more hands," Mr. Reese says.

"Now they realize Construction Labor Contractors can help them save money too." ■

## ACG CLEVELAND EVENTS

*All events at The Union Club unless otherwise specified*

### FEBRUARY 9

**Dinner**  
Sandy Cutler, CEO, Eaton Corp., (Joint meeting with FEI)

### MARCH 17

**Breakfast**  
Speaker to be announced

### APRIL 22

**Breakfast**  
Tom Embrescia  
Second Generation Ltd. —  
The Embrescia Companies

### APRIL 29

**Afternoon Workshop**  
Topic to be announced

### MAY 20

**Breakfast**  
Chris Connor  
CEO, Sherwin-Williams

### JUNE 15

**Social and Networking Reception**  
The Shoreby Club

### SEPTEMBER 8-9

**ACG Great Lakes Capital Connection**  
Renaissance Hotel

### OCTOBER 4

**Annual Golf Outing**  
Firestone Country Club

### JANUARY 2011

**Deal Maker Awards Dinner**  
Marriott at Key Center

*For more information, contact ACG Cleveland at (216) 696-8484 or [www.acgcleveland.org](http://www.acgcleveland.org)*

# ACG Cleveland congratulates the winners of the 14th Annual Deal Maker Awards

## 2010 Award Recipients

Cliffs Natural Resources Inc.  
Dealer Tire, LLC  
TransDigm Group Inc.

# ACG Cleveland

216-696-8484 • 216-696-2582 [fax]  
1120 Chester Avenue, #470 • Cleveland OH 44114  
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