# De Leon's Firm Has Seen Lion's Share of Success

- Email
  Share

Miguel De Leon arrived in this country in 1978 as a penniless Guatemalan fleeing a country racked by civil war.

Today he is the CEO of a thriving electronic components business in the San Fernando Valley, the same company that hired him as a minimum wage assembly line worker 16 years ago.

And while De Leon faced the problems all immigrants encounter in establishing a foothold in a new country, his rise to the top was made all the harder by the state's rough economic waters.

He almost didn't get here at all.

De Leon still bears scars from the time when, as a 12-year-old boy, he was walking home and a grenade exploded near him, embedding shrapnel in his head, shoulders and legs.

It took him six months to recover from his wounds, but he was one of the lucky ones--four people died in the attack, which the government attributed to Marxist guerrillas.

That experience, coupled with stories eulogizing "El Norte" told by a married sister in Echo Park, convinced De Leon that his future was in America. So he began to salt away money and, soon after his 18th birthday, bought a plane ticket to Los Angeles.

" 'Welcome to America--you have two months to get your act together,' my brother-in-law told me," he says. "I walked up and down Sunset Boulevard from Echo Park to Hollywood every day looking for work, but no one would hire me because I didn't speak English."

After several false starts, he got a job at a Pasadena factory that manufactured car stereo amplifiers. Each night after work, he took the bus downtown to a three-hour English class at Evans Community Adult School, where he eventually went on to earn a high school diploma.

When the speaker booster craze started to fade about four months later, he was laid off. Nevertheless, he was able to parlay his electronic expertise into a position at California Electro Fab, the company he was destined to control some 16 years later.

Again he started out on the line, this time piecing together everything from the firing mechanisms used in M30 missiles mounted on Apache war helicopters to the electronic circuits used in the space shuttle engine.

"We were highly dependent on defense contracting," De Leon says. Only 20% of the company's clients were commercial. "Things were going pretty good in the '80s--the economy was booming, we had 100-plus employees."

He slowly worked his way up the ranks, first becoming line supervisor, then quality control inspector. He married in 1982, had two children and got an associate's degree in business from Los Angeles City College. In his spare time, he pored over books on electronics manufacturing to better learn his trade. In 1988, he was named vice president.

"We were living the American dream," he says.

Nonetheless, unbeknownst to De Leon, the company was quietly imploding. Later he'd find out that although his employer was grossing more than $4 million in annual sales in those boom years, the company had a mere 3% profit margin.

Then came the trio of disasters that ganged up to squelch the Valley economy in the early '90s--the statewide recession, the demise of the aerospace industry and the Northridge earthquake. Meanwhile, Electro Fab President Phil Worcester died in 1992, leaving his wife in command.

Orders dwindled and the foundering company borrowed heavily to stave off bankruptcy.

But the efforts couldn't preclude the inevitable and in July 1994, a troop of bankers marched in to announce they were closing down the plant in a week if the company did not pay off its $1.5 million debt.

The IRS and landlord were also clamoring at the door for payment.

De Leon did some quick numbers-crunching: He had $50,000 in his savings account and $1,700 in monthly rental income from a fourplex he owned in Echo Park.

He tendered the bank an offer to buy the company's seized assets for "cents on the dollar" and it accepted. ("What good was all that equipment to them, anyway?" he asks.)

To slash his overhead in labor and operating costs, he contemplated setting up a maquiladora, or contract assembly plant, in Tijuana.

"But I said to myself: 'All these people are going to be without work, and that's not fair. I can't just think about myself,' " he says. Many of his

co-workers, some of whom he had known for more than a decade, were friends.

Instead, he restructured the rent with the landlord, slashing it $1,000 a month, and persuaded seven employees to stay on with a 20% pay cut and a promise to work long hours as needed.

Next he contacted his clients.

"That Thursday I called the customers and told them the company was closed," De Leon said. "Then I told them I was reopening it on Monday under a new name--De Leon Enterprises."

He said that although he had inklings of the impending disaster, he had no solid evidence. Several clients were upset that they hadn't been forewarned and refused to work with him. Others were more understanding.