Are You Firing On All Cylinders?

by Les Cunningham

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So here you are, already halfway through the year and you can see that you are not where you thought you would be. It doesn't matter if you are the marketing person or the owner of your company; you are being judged based on the company's performance (or lack thereof).

The company is not where it needs to be, and you need to decide what Plan B is, pronto! But changing a company's direction takes a lot of effort – and skin in the game – if you want to be successful. Good employees and good owners are always in demand.

To put it bluntly, if a company and its people are not willing to pitch in and help make things work together for a profit, there may not be a company for much longer. Without profit, there will be no way for each person in the company to achieve their desired goals.

Knowing whether your business plan is working is pretty straightforward. You can job-cost your plan by comparing what the plan was supposed to do with what it has done. I've found that the majority of people in this industry are very smart, but their decisions must be based on correct information in order to make correct decisions.

So where do you begin? It's actually very simple to get answers; set up key indicators that show you where you're starting and where you want to go.

This needs to done before your plan kicks into action because, if the results are not good, a lot of people (maybe not you) will work overtime coming up with excuses instead of taking responsibility for their results.

Let me give you an example:

- You decide that you want to do a sales volume of $1,825,000 for the year.
- Working backwards, you determine that your average sale size was $5,000.

- You need 365 sales at $5,000 each to achieve your goal of $1,825,000.

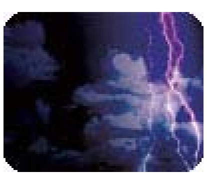
Once you set the basic premise as to what you want the company to achieve, you can start putting together all of the things it will take to achieve this goal. Say you had a close rate of 50 percent on all of the leads you received and had the opportunity to try to close on. That means you must have 730 leads to try to sell your services to. So what does this mean to an owner? A business development person? An estimator? A technician?

The owner must manage and lead the team to setting in place the plan that the company will operate from.

The business development person (previously called a donut dropper/marketing person) will need 730 leads that will generate a sale size of an average amount of $5,000.

The estimator must estimate the leads and sign up 365 jobs averaging $5,000.

The technician must produce the 365 jobs at the numbers that the estimator bid.



Bad planning can put storm clouds on your horizon

Sounds easy when you break it down this way, doesn't it? But you know it's tough to produce the numbers efficiently and effectively. The key is that the entire company must keep track of the results on a daily basis, and the four key players (and others within the company) must review the results on a weekly basis. At that weekly meeting you compare your estimate to your actual, and then adjust efforts for the next week.

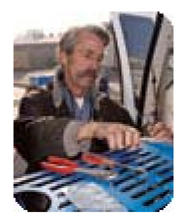
The only way that I've seen companies able to do this is by using some type of software that the daily data is entered into by all members of the company. Luckily, there are a lot of high-quality choices available. But like any other tool, it must be used effectively and correctly, or you end up with a database full of garbage. It's the owner who must lead by example; if he uses it only "when he feels like it," then sooner than later that will be how the rest of the company views its importance to the plan.

The conclusion will be reached that the software doesn't work, it is no good and the company should change to another software or, better yet, go back to the way things use to be done, i.e., “Take me back to the old way, so I cannot be held accountable.”

The information you get from these reports may also change your thoughts on just who is doing their job and who is not. When you run the reports on individuals, you begin to see how well each of them is doing. For better or worse, the individual sees how they are measuring up to their established goals, and they see what they have to do to improve. Once you have the correct data, you can start to make correct decisions. I’ve found that it takes a minimum of nine months to make a change. It usually breaks down in three steps:

1. It takes the owner a minimum of three months to realize that there is a problem.
2. It takes the owner a minimum of three months to decide what to do about the problem.
3. It takes the owner a minimum of three months to take the action to resolve the problem.

As a result of the time it takes to make a change, you can see how this can affect a company and its profitability. So how does this impact our four company members? It’s important that each cog in the machine is aware of their role, their responsibilities, and what’s at risk.



It’s important to get all the pieces working together

The owner must be both the manager and the leader of the company. The owner is responsible for the entire company meeting its goals. If the goals are not being met, the owner must decide how to help the individual(s) reach their goal(s).

The owner has total skin in the game, i.e. their residence, their assets, their kids’ advanced education, and their retirement.

The business development person is able to clearly see how their efforts are generating leads to the company. The business development person has skin in the game, but not like the owner does. Their job is at risk, but if they are achieving their established goals, they should be solid.

The estimator is able to clearly see the results of whether or not jobs are being generated at the needed volume and profitability. The jobs should be coming in as they were bid; if they are not, it is fairly straightforward to determine why. The estimator has skin in the game similar to the business development person, i.e. their job is at risk, but if they are achieving their goals, their position should be safe.

The technician is able to see if they are producing the job as promised by comparing the estimated scope with the actual scope produced. The technician's job is also at risk but, as with the estimator and the business development person, if they are hitting their established goals, they should be on safe footing.

I hope that you can see that people need to know and agree to what is expected of them. If they take their job seriously, they will achieve what they agreed to, especially when they have skin in the game.

Les Cunningham
Les Cunningham, CGC,CR,CCR,CGRa, is president and CEO of Business Networks, Inc. He is a restoration industry expert and can be reached at 1-800-525-1009, ext. 14 or e-mail him at Les@BusinessNetworks.com.