LESSONS LEARNED

WE ASKED LEADERS FROM LM150 COMPANIES:

"WHAT DO YOU KNOW *NOW* THAT YOU WISH YOU KNEW *THEN*?"

PHOTO: ©ISTOCK.COM/SPAULN

(From left) Jake Elrod, Justin Crocker, Luke Stice and Jon Kirk make up the top management at Earthtones.

Crunch your numbers before the bid.

No. 98
Earthtones Landscaping
Midlothian, Texas

Justin Crocker, president of Earthtones Landscaping, dropped the habit of scratching his head once he picked up the practice of crunching the numbers of a job before bidding on it.

Those numbers include big-picture material and labor costs down to the gallons of gas it takes to travel to a job site and minutes to conduct each service.

Once the company zeroed in on estimating those figures three years ago, it became more selective about the jobs it bid on because it could identify which were money makers and which were not. Foremost, it maximized profits.

"Before, we would be scratching our heads, asking 'Why didn't we make money on that job?'" Crocker says. "It came back to not understanding the numbers of the job. We weren't accurately bidding the job upfront. If I could go back, my No. 1 thing I would tell myself is, 'Know what it costs to put in that job before you sell it.'"

The first step for Earthtones to do that was to stop competing on "going rates" set by the market and instead create stiffer standards for itself. This meant it more frequently walked away from jobs, choosing not to bid on a project even if it had a fair shot at landing it.

It was scary at first, Crocker says. "I would rather see less jobs that are more profitable than huge sales numbers with weak margins," he says.

He praised Earthtones' maintenance division for how accurately it tracks job costs. The division made a formula, based on the square footage of a property, to calculate the minutes per year it spends on any given job site. From that, it creates an annual report that shows every minute spent on each property for the year.

The key to that formula, Crocker says, is diligently tracking and recording the time spent on a job site so the company has historical data to reference when estimating a prospective job.

"The better we track and document time and materials, the more historical data we have to dig through each year to make sure we are where we need to be to hit our goals," Crocker says.

Putting such an emphasis on tracking means Crocker has slightly shifted his responsibilities in the company, spending less time in the field. While he'd rather be sitting on the seat of mower than in his office chair, he says the shift of duties is worthwhile.

"I realized my role, with the growth inside of the company, is probably spending less time out in the field and more time looking over our books and tracking our costs," he says. "We can't maintain the growth without better tracking and maintaining where our money's going." *—Sarah Pfledderer*

PHOTO: EARTHTONES LANDSCAPING

WHAT DO YOU KNOW NOW THAT YOU WISH YOU KNEW THEN?

"Not all business is good business. We no longer take jobs for the sake of doing work; we take jobs that are within our realm of expertise, profitable and that we are OK attaching our name/reputation to."
Chris Lee, president EarthWorks

"Make sure systems are in place."
Stewart Hanson, president Arteka Cos.

"We would have spent more money and hired the right people. We tried to hire people with less experience because they were a less expensive option, and then we'd try to train. But we didn't have the infrastructure that we do today, so often the training never occurred. We set people up to fail."
Matt White, president/CEO Caretaker Landscape & Tree Management

Delegate day-to-day operations.

No. 95
Cleary Bros. Landscape
Danville, Calif.

Cleary Bros. Landscape has served the San Francisco area for 27 years, specializing in commercial maintenance. Composed of 175 employees and with brothers Martin and Mike Cleary at its helm, the firm is optimistic about 2014, with the exception of drought-related restrictions. It recently rolled out a new employee-training system to better track employees' progress with their skills and safety training.

Martin Cleary

You said knowing what you know now, you would have been a less critical player to your team when you first started in the industry. What do you mean by that?
When we started, it was just two guys and a pickup truck. As we started getting more employees, I continued trying to cover all the bases. We had some good people, but we weren't empowering them. If there were any issue, I would handle it. I'd manage all of the equipment, payroll and safety. We bounced along as a small company for some time. I then learned I've only got so much capacity to oversee things. Delegating to people, giving people authority to do things, was really the secret to growth.

Cleary Bros., which started with two guys and a pickup truck, stayed small until it embraced delegating.

At Cleary Bros., managers have the autonomy to choose the best path to solve a problem.

When did the light bulb come on?
Probably 15 years ago or so. I was at a job site working with the crew, and I got hurt. I cut my left thumb with a power saw. I almost cut my thumb off. It was quite an eye-opener. At that point I decided we need to grow and we need to delegate.

How did you go about changing your ways?
It's all about the people we've hired and giving them autonomy to do their jobs. There are certain motivators for people, but autonomy is a huge one, which means allowing them to do what they need to do.

Key for us was we created key accountabilities for our managers. They're given direction on what they need to get done at the end of the day, but they're not given specific direction on how to do it. They get to pick the best path to solve problems. They have responsibilities, but they also have the authority for how to accomplish those responsibilities.

What was the most difficult adjustment?
Giving people authority means you also have to give them the opportunity to make mistakes. If their mistakes are constant, something needs to change.

In what ways did your business benefit once you altered your approach?
Our branch managers were doing problem solving. From my perspective that creates smoothness because if they're not dealing with problems, then it has to go up to somebody. If your day is constantly filled with dealing with problems, that's a pretty chaotic day.

How do you avoid going back to your old ways?
We have our business large enough now to where there's no way I could run everything by myself. I'm not really interested in doing that. —*Interview by Sarah Pfledderer*

PHOTOS: CLEARY BROS. LANDSCAPE

Think smaller; focus on specific client segments.

No. 131
Carol King Landscape Maintenance
Orlando, Fla.

Founded by Bill and Carol King 54 years ago, Carol King Landscape Maintenance primarily caters to commercial clients. The Bachand family purchased the company in 1975, and it now comprises about 140 employees, with Bruce Bachand holding the reins. Its biggest obstacle in 2014 is managing insurance costs due to the impact of the Affordable Care Act. Yet, it's optimistic about increased construction opportunities as the local economy rebounds. It also plans to put a heavy focus on sustainable initiatives as it continues to grow.

"Hindsight is 20/20, and I'm always brighter after the fact.

As we've morphed into a $9 million to $10 million company, we compete on the commercial maintenance side against large, national and regional companies who sell contracts to hotel chains, restaurant chains and large property management groups. It's dawned on me we can't work in certain areas because they're tied up with negotiated relationships. It takes a certain market segment away from you.

Bruce Bachand

PHOTO: CAROL KING LANDSCAPE MAINTENANCE

Consequently, if we had it to do over again, we might have developed a more niche-related company to have a smaller footprint and closer control. It would have been years ago, probably in the late 1970s or early 1980s.

Companies that accomplish this increase their margins and retain their customers better because of the relationship factor. The one thing the national companies may not be able to do, versus a family business or one-market business, is be close to customers, react quicker to their needs and maintain a relationship-based business.

For instance, homeowner associations (HOAs), condominiums and multi-housing sites for the residential side are not prone to being rolled up by national companies because they're all locally controlled.

There are opportunities to target a specific market. Spend your marketing dollars in that one area and become a preferred provider or a boutique company. You've just got to find the one you're comfortable with. It always has to come back to who and what you want to be and where you want to head. You need to make these decisions when you're in the $1 million to $2 million revenue point.

You can't get so far out that you've created something you have to keep fueling all the time yet be willing to go backward. I don't know that going backward is ever a sound business strategy. I'm not going to blow up what I have now to go back and do that. I don't think that's good for the family and the investment they've made.

While we have our hands in everything, the company is still successful, still moving forward. We work on the commercial side in HOAs, hotel, commercial industry buildings, facilities, retail and estate-type residential. There are advantages to that, (but) there also are disadvantages when you're trying to be all things to all people. So we focus on what our strengths are. We're a company with local roots, local knowledge, the stability of the same management and ownership. We know the customer and focus on their needs without having such a vast geographic area that you get lost in the shuffle." —*As told to Sarah Pfledderer*

Targeting a niche may be the key to avoiding competition with large national and regional players, Carol King's Bruce Bachand says.

WHAT DO YOU KNOW NOW THAT YOU WISH YOU KNEW THEN?

"I would have hired managers from outside the industry earlier."
Keith Rotolo, senior vice president/owner Rotolo Consultants (RCI)

"The hardest challenge for any business owner is to let go and trust others to do tasks that you might not think they can do as well. It took me about seven years to understand this concept. Ever since I have it's been a blessing."
Brian DuMont, president/CEO Yard-Nique

Uniformity among Emerald Isle's five branches has helped the company grow, President Rory Lamberton says.

Spend more time developing systems.

No. 149
Emerald Isle Landscaping
Denver

On track to hit near $10 million in 2014, Emerald Isle Landscaping credits its success to the systems and processes it added about five years ago—it added an executive team this year to help standardize and streamline those. The 37-year-old company, which employs around 105, has seen significant growth in the past five years, says President Rory Lamberton. It doubled its annual revenue and expanded into five branches in that time. The expansion also landed it on the 2013 Inc. *5000 list of the fastest growing private companies in America.*

"The biggest challenge of having five branches is delivering the same level of service across the board, making things universal from crew to crew and branch to branch.

We've developed some training implementation and standardization systems to make that possible. It's everything from how the trucks are set up, how the equipment's tied down, how the office is left and the first and last thing done on-site. All of that's a part of a system. Any crew member can move from one branch to another and know how we work in any situation. This gives me the energy to focus on growth and improvement, and it makes it a lot more fun.

As we expanded, we left it up to operations to do whatever they felt like doing as long as it got done. You could see different cultures developing between the branches. We weren't delivering the same efficiency and communication for our customers.

It began as an off-season training, reading things like *The E-Myth* and getting our senior management to understand the value of standardization. From there, it's an ongoing battle. We make repairs to the systems and processes in fall/winter, do all the training and implementation in the spring and monitor it to make sure it's what we planned. We've spent a lot of money and time seeing what works and what doesn't, capitalizing on the lessons we learn along the way.

Rory Lamberton

We've enjoyed some pretty decent growth over the past three years. The retention among our customers, more commercial maintenance, new client lists and stuff like that, that's the easiest way to see things are working.

A lot of our process is drawn from my team of mentors. I'm a member of Vistage, a CEO peer group of similar size companies, not other landscape companies. We meet month to month and work on each other's businesses. It's like a board to hold you accountable. There's sharing of ideas, such as: 'How do you track this? How do you make sure everyone does that? How do you manage multiple locations?' I take from different areas and see what's going to work for our company culture.

Spending time to work on the business like that really does work. Dedicate your time, trust your qualified staff to do their jobs and let them run the business as you work on the strategy. This is why some companies have a problem growing past that entrepreneurial million-dollar range where the founder is involved in everything, saying: 'I can't trust this person to do it my way. They won't do it right.' Until you build and manage those systems, the people you hire are never going to do it your way." *—As told to Sarah Pfledderer*

PHOTO: EMERALD ISLE LANDSCAPING

DOES YOUR COMPANY HAVE ANY NEW PROGRAMS OR INITIATIVES?

"All employees are now involved in profit sharing, and we increased the company contribution for retirement plans."
Gene Grant, CEO
Grant & Power Landscaping

"Every other week the entire company is involved in a quick 'state of the business' meeting related to sales, equipment, potential new hires, etc. This creates a great sense of buy-in at all levels of the company in a way that makes everyone feel like they are part of the process."
Chris Joyce, president
Joyce Landscaping

Consistent marketing matters.

No. 100
Engledow Group
Carmel, Ind.

Lime green trucks (right) are part of Engledow's brand. Above, a truck from 1932.

It's common for company marketing efforts to go in fits and starts, especially when there's multiple people manning the effort.

That's been the case for the 82-year-old Engledow Group, operated today by second- and third-generation Engledow family members.

There were periods where marketing played a big role, says Marketing Director Joe Judd, who joined the firm in 2012. For example, in the 1960s you could open a Central Indiana newspaper and see an Engledow advertisement. It's also held a strong brand position since the 1970s with its signature lime green trucks.

But by the 1980s and 1990s, marketing efforts tapered off. "At that time we considered ourselves the market leader since we'd been around for so long," Judd says. "We were comfortable with our reputation and other stuff took precedence. In a sense, we became complacent."

However, the increase in competition over the last two decades, plus thinning profit margins due to the Great Recession, prompted Engledow to reevaluate things.

The company hired a consultant in 2010 and 2011. One outcome from that process was to add a marketing person to implement and oversee a marketing strategy. Enter Judd, who'd worked for several ad agencies before Engledow.

"Consistent marketing would have helped us overcome a lot of challenges we're experiencing today," Judd says. "When margins are thin, it's tough to differentiate your products and services. We try to use marketing to show the value behind our services. In a sense, we're trying to take price out of the conversation."

When Judd came on board, he first addressed the website, which hadn't been updated in years. The new site, launched in December 2012, incorporates a blog and other search engine optimization tactics. It also uses an "inbound marketing" strategy. The goal is to draw customers and prospects to its site by providing useful content, such as a free landscaping calendar.

"It's not pushy or aggressive," Judd says. "The goal is to educate people and be the expert. When they're ready to make a decision, we'll be top of mind."

The company also renewed some of its community service efforts. Engledow has long partnered with nonprofits, but this new approach entailed choosing several that align with company values. Keep Indianapolis Beautiful is one example.

Additionally, the firm gets exposure through a partnership with the local CBS affiliate on a morning show called Indy Style. It's the second year Engledow, which does some digital advertising with the station, has participated in a monthly landscape tips and trends segment. It also posts the video clips on its website and shares them via social media.

The results of the two-year-old marketing revamp are good, Judd says. "It just seems like there's a lot of momentum building in all areas of our business," he says, citing nearly 1,400 Facebook followers (up from zero two years ago), excellent website metrics (a nearly 200 percent increase in traffic in the first year) and good feedback from clients. All this activity has resulted in more than 150 leads coming from the website since its relaunch—compared to none before. Some of those have turned into substantial contracts.

Joe Judd

For others looking to assemble a cohesive marketing strategy, Judd offers a few tips, starting with identifying the budget. From there, he'd focus on the website.

"If I was going to spend money anywhere I'd first look there," he says. Whether or not a customer can find you with a simple web search is the first hurdle. From there, he says to explore other advertising avenues, such as Google AdWords or local media advertising partnerships.

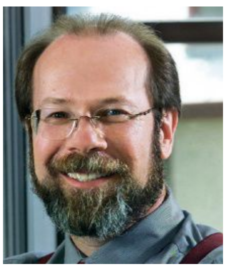
"There's no magic bullet when it comes to marketing," he says. "Sometimes people have the mindset that there is and try to make a video go viral, for example. You might get lucky, but I'd rather put energy and efforts into creating a thorough marketing strategy for our business."
—Marisa Palmieri

PHOTOS: ENGLEDOW GROUP

Embrace your mistakes. Plus, a few tips.

No. 22
NaturaLawn of America
Frederick, Md.

With 64 branches and sales nearing $46 million, the NaturaLawn of America franchise system has a thing or two to share about growing a business. Phil Catron, president and founder, has been in the industry since the 1970s, working for large and small lawn care companies before starting NaturaLawn. That said, many of its obstacles are universal, such as regulations regarding material use, finances and more. The 27-year-old company strives to overcome these by making sound business decisions and operating more efficiently.



Phil Catron

What is it that would you do differently *then,* knowing what you know *now*?
Friends have asked that same question a couple of times in the past, and I tongue in cheek say if I knew then what I know now, I'd probably screw things up because I'd second guess myself. When you don't know you can't do something, it's amazing what you can do. But I do have a couple of suggestions, in hindsight, that I'd pass along.

OK, great. Let's hear them.
Trademark your logo and name. It's critical. In a company that's going to be expanding out of the general area and across state lines, it's even more critical that you get it filed through the federal patent and trademark office. You have to actually conduct business across state lines before doing so, and the sooner the better. We started in 1986 and incorporated in 1987. It was about 1990, several years after we began going over state lines, that I called up our attorneys and said, 'Shouldn't we trademark our logo?' From day one we made it known our goal was to franchise. Our attorney said, 'That's probably a good idea.' My jaw dropped. It cost us literally $1 million in legal fees over the first 10 years we were in business.

When it comes to a trademark, don't rely on your accountant to tell you that you can use your name. Just because a name is available, it doesn't mean you can trade under it. For example, our name is NaturaLawn of America, but we have multiple trademarks. If someone wanted to incorporate as NaturaLawn of Maryland, the state would let them because they're only worried about collecting taxes. But the minute they go to trade under that name, they'll get hit with our trademark letter. There's a difference between incorporating under a name and being able to trade under it. You need to do a LexisNexis search.

The other thing is with partnerships. Have an up-front buy-sell agreement. I had a marvelous partner until he retired. We didn't want our wives to be each others' partners if one of us died. We had a cross-purchase agreement funded by life insurance and stock. I suggest you update it every year. Ask: 'How has our business changed, and how does it affect this cross-purchase agreement? How would the payout be done? How would the business be valued?' There should be a way to evaluate the business so one partner doesn't say it's worth a million and the other says it's only worth $200,000. It's kind of like doing your last will and testament. Nobody wants to do it, but you need to do it.

Focusing on what you do best—turf care, in NaturaLawn's case—is advice its President Phil Catron gives to other operators.

PHOTO: NATURALAWN OF AMERICA

Do you have any other advice for small companies?
Never ever run out of cash. And don't confuse profit with cash. You can be very profitable and go out of business because you're out of cash. You can be not profitable and cash rich, which is going to keep you going.

Especially for new operators: Do what you do best and really focus in on that because there are a lot of opportunities to make money. Keeping your money is very hard. You might go out on a lawn and someone might come up to you and say, 'Do you do gutters?' You're looking at it as another $100, but all of the sudden you find yourself doing odd jobs that don't focus in on the primary goal of your business.
—Interview by Marisa Palmieri

Ramp up maintenance sooner.

No. 64
McHale Landscape Design
Upper Marlboro, Md.

Brothers Kevin McHale (left) and Steve McHale

PHOTO: MCHALE LANDSCAPE DESIGN

A self-defined "design/build snob," Kevin McHale didn't focus on bolstering a maintenance division when he and his brother Steve began McHale Landscape Design 33 years ago.

"We just didn't see the value of maintenance," says McHale, president. "We were all about building, designing and constructing things. Maintenance was something somebody else did."

Which is why after poorly providing maintenance services for two years, the company ditched the segment and referred clients elsewhere.

"We didn't have the right people in place," McHale says. "Their background, experience and education were all design/build oriented, and we were asking them to manage maintenance."

Fast-forward to 2014 and maintenance makes up a quarter of McHale Landscape Design's $20 million annual revenue. Today, the company values this service segment from multiple viewpoints: It's a renewable quarterly and/or monthly revenue stream; it allows the company to be a "single source for residential clients;" it ensures the proper upkeep of a design/build project because the company oversees the overall property; and it's an easy upsell—McHale estimates 92 percent of its maintenance clients began as design/build clients.

To get to that point required the willingness to learn from its mistakes.

It re-implemented its maintenance division 12 years ago, when it was doing $8 million to $9 million in annual revenue. The company used about a decade before that—after it got rid of its first maintenance division—to reevaluate how to create a profitable recurring service.

The solution was to create a strategic plan with a focus on better recruiting. This approach included pinpointing colleges with strong landscape management programs rather than landscape architecture programs to onboard qualified maintenance managers. Pennsylvania State University was its prime target, McHale says.

"We personally didn't have a passion for (maintenance), so we brought the people in that did," McHale says. "The whole thing for us was to put the right people in the right places so they could succeed. It didn't become a benefit for our company until we had the right people in place."

After integrating the maintenance experts, the company learned from its prior mistake and segmented its maintenance and design/build staffs so it didn't confuse employees' mindsets and responsibilities.

With that, McHale deems the company's second stab at the service a success. Maintenance has grown by 20 percent every year for the past five years.

"If we had understood the effect and benefits of a maintenance division earlier, we would have started one earlier," McHale says. "Once we put together a strategic plan and recruited the right people for the right job, maintenance became a solid, well-functioning part of our business. We just learned that the hard way." —*Sarah Pfledderer*

WHAT ARE YOUR TOP BUSINESS OBSTACLES AND HOW ARE YOU OVERCOMING THEM?

"We're concerned about the impacts of the Affordable Care Act and minimum wage on our long-term contracts. We're working with our brokers and finance team to determine the impact and our sales teams to determine how to incorporate into our sales price."
Jon Georgio, CEO
Gothic Landscape

"The cost of fuel/insurance/operating overhead and promoting quality over lowest price. We're a lean company in every way possible. We encourage clients to do an apples-to-apples comparison of quotes."
David Frank, CEO/founder
David J. Frank Landscape Contracting

"Rising prices of ornamental trees and plants and an upcoming plant material shortage. We have to make sure we have partnerships with the right vendors to secure material on jobs we've already bid and won."
Michel Sallin, president/CEO
LegacyScapes

Don't ignore attacks on the industry.

No. 113
Lawn Dawg
Nashua, N.H.

Seventeen years ago, Jim Campanella was ready to branch out on his own after working for various lawn care companies in New England. In late 1996, TruGreen acquired Barefoot Grass, where he was the New England regional manager. The company offered him a job in Portland, Maine, but that wasn't where he wanted to be, so in 1997 he started Lawn Dawg with a pickup truck and a telephone book.

Today, his company has 11 locations throughout the Northeast. It grew nearly 14 percent in 2013 over 2012, despite facing challenges due to the Affordable Care Act (it lost its health care plan), staffing shortages and legislative activity threatening use of neonicotinoids and limiting fertilizer inputs.

Jim Campanella

"Thirty-one years ago when I first started in the industry, I'd get in a 600-gallon spray-tank truck and go down the street to spray lawns. People would be flagging us down saying, 'Please spray our lawns.' It was easy. We'd have thousands of leads in a couple days.

Back then, there were no other regulations than to have a license to spray pesticides. You didn't have to leave a flag or notify neighbors.

The industry got so big so fast, it piqued the interest of the activist community, the self-proclaimed environmentalists. Before we knew it, we stared seeing legislative activity.

Organizing ourselves better and positioning ourselves as true environmentalists may have prevented much of the negative publicity and legislation we face today. We ignored the activist attacks on our industry thinking it would go away, largely because we were in such high demand.

The Professional Lawn Care Association of America (PLCAA) was formed (in 1979) with the intent to help fight some of these attacks we were under, but we weren't well organized yet. We stood by our guns and said the products were scientifically tested and we're not hurting anybody. Meanwhile, our opponents were attacking us using emotion. You can't fight emotion with science. It doesn't matter how much you're speaking the truth, emotion trumps science every time.

We should have done a better job positioning ourselves as providing cleaner air, cleaner groundwater and cooling effects through healthy turf.

The biggest compromise we made was the sign postings. We said, 'If that's the worst that's going to happen, we can live with it.' Today, that's still the No. 1 thing we hear, 'If what you're spraying is OK, why do you have to put up the signs?'

I think we're better organized today, but I still don't think we communicate to the general public as much as we should.

In 2010 there was legislation introduced in New Hampshire to ban all aesthetic use of pesticides, similar to what they have in Canada. We did a good job of defeating that bill because we had the science to prove everything was safe to use from chemical manufacturers and Responsible Industry for a Sound Environment (RISE). That allowed me as the local guy to appeal with the emotional argument. I could talk about my 25,000 customers that rely on me to manage their green spaces. It was a great team effort and we defeated that bill soundly.

The average operator who gets in this situation should call the Professional Landcare Network (PLANET) right away. We can't watch everything because we're out there working every day, but we have an obligation to support the associations that stay in tune as the watchdogs for us. Too many people rely on them but aren't members and don't pay dues. If you're in a state with a state or regional association that can represent you, you have an obligation to be a member.

The other thing is to make sure your legislators know who you are, especially if they're your customers. Communicate with them. Make sure they know that if something comes up about lawn care, they can contact you as an expert."

—As told to Marisa Palmieri

WHAT ARE YOUR TOP BUSINESS OBSTACLES AND HOW ARE YOU OVERCOMING THEM?

"H-2B is probably the biggest uncertainty we face. It appears we'll be OK in 2014 but nothing is certain with this volatile program. We're doubling down our efforts to recruit more homegrown workers, supervisors in particular."
Chris Clifton, president
Southview Design

PHOTO: LAWN DAWG