

15 threats to your

We asked three industry pros for 'killer factors' they see as threats to business. Here are 15 things to avoid

Our three sources

BOB ANDREWS is CEO of The Greenskeeper in Carmel, IN, a chemical lawn care company in business since 1981. It concentrates on high-end residential customers and has a newer golf course and sports field division.



RON KUJAWA is chairman of the board of KEI Inc. in Cudahy, WI, and has been in the landscape industry since 1967. KEI, a \$5 million company, is principally a landscape management firm, but also does design/build, interiors, industrial weed control, snow and commercial turf equipment sales.



VICKIE CATE runs Evergreen Interiors in San Diego, a high-end interior landscaping company. Evergreen serves commercial and high-end residential customers.



What drives companies like yours out of business? We asked three experienced landscape pros for their opinions on 'killer factors' to avoid. They are Bob Andrews, CEO of The Greenskeeper, Carmel, IN; Ron Kujawa, chairman of KEI Inc., Cudahy, WI; and Vickie Cate, owner of Evergreen Interiors, San Diego.

Their key items range from management weakness (lack of capital) to personality problems to hiring a bookkeeper that embezzles your company cash. In the spirit of helping you stay in business, here's what we learned about the major mistakes to avoid.

Andrews: Sound business fundamentals

Bob Andrews believes that having a solid fundamental business is the best way to avoid mistakes, but he's seen many people make these mistakes:

1 Lack of fundamental business education. "A lot of new Green Industry people are good technicians, but when it comes to paying taxes, shopping for insurance, buying materials and leasing buildings, they don't know enough. So they go out of business, and they go out pretty quickly," says Andrews. If you don't understand certain elementary business operations, educate yourself, he recommends.

2 Under-capitalization. Smaller firms are often operating on whatever personal resources they have — the mortgage on a house, family loans, etc. "It's

a firm rule that if you figure it's going to take \$100,000 to stay in business, it really will take \$200,000," says Andrews.

3 Lowball pricing to buy business. "New people usually don't have any reputation yet and are not getting referral business. The only way they can figure to get a customer base is to come in as the cheapest on the block. That doesn't work. The easiest competitor for me to take out is the guy who just wants to undercut me. We watch a few of them come in and go every year. The customer who will take them is often the customer we don't want anyway," he adds.

4 Trying to grow too fast. Andrews explains: "I see a number of businesses attempting to grow so fast that they lose control. They can't staff the new work or service it. So they start doing poor quality work for both their old and new customers, and lose everything."

5 Too much marketing. "It doesn't make sense to sell 200 more customers if you're going to lose the 200 you already have. But this is a trend — we see it in some of the larger firms that



Charge a fair price for your services and you won't attract clients seeking the lowest price.

PHOTOS COURTESY OF KEI INC.

business

BY GEORGE WITTERSCHEIN



Be open to new ways to improve your operation but keep the focus on your firm's core business.

are really more marketing oriented than service oriented," Andrews says. "We know we can sell on our service — that's fairly easy. Keeping the customer is a different ball game."

6 Can't delegate/burnout. "If you want to be an owner, you better bring your lunch to work with you. I see a lot of people who say 'I'm working 14, 15 hours a day... I can't find good help.' Then they see their buddy who works for the Postal Service punching out after eight hours. Some of them can't take it and just bail out. A lot of businesses fail because the individual is just not prepared for the rigors of running the show," he explains.

7 Failure to get involved. "I was president of PLCAA in 1992 and feel strongly about this one. We're pretty much Lone Rangers in our industry. There's not a lot of networking that goes on automatically. You work by yourself and don't have a lot of opportunities to feed off your colleagues. That's why being

involved in an industry trade association locally and with PLCAA nationally has been extraordinarily valuable for me over the years. It has allowed me to meet other people in the same industry, and has helped me become a better person and a better businessman," he adds.

Kujawa: Be realistic

Ron Kujawa sees potential problems crop up when landscape operators fail to focus, set realistic expectations or ignore vital business components like cash flow.

8 Unrealistic expectations. Kujawa explains: "This is a seasonal and cyclical industry. Snow is an extremely profitable item, but it's also very cyclical. An above average snow year could mean a great year of profitability — or a below-average snow year makes for average profit. Too many people base their financial planning on always having a great year." If it doesn't happen, they don't have a recovery plan, he adds.

9 One egg in the basket. "I see firms with only one account — like a big property manager's regional office. Suppose that property manager gets disenchanted with you, or dies, or leaves town or gets replaced? You have to be somewhat diversified, and that means you must make new contacts continually and consistently," Kujawa recommends.

10 Loss of focus. "You have to have a focus, too. You can't go off on every tangent," he says. "Some years ago during a recession when home building was not very vigorous, a lot of landscape construction people got into maintenance. All they accomplished was that they screwed up the market. They didn't understand the maintenance business and they lowballed prices. Now that there's a lot of activity in the home construction market, many people have succumbed to the temptation of leaving their core business — maintenance — and going after construction work. That's a different business! If you jump around, you're likely to let your core business and your long-term customers suffer. You're liable to lose them, and when building falls off, you may have a difficult time recapturing them."

11 Poor cash flow. "More people go out of business because of the lack of cash flow than for lack of profitability," Kujawa states. "Therein lies a huge problem. Younger people in business often confuse cash flow and profitability. You can be profitable, but if your cash flow isn't there, you get in deep trouble (with vendors, for example). And your employees might leave you!"

continued on page 38

continued from page 37

12 No focus on people. "The key to all of business is good people," Kujawa stresses. "Focus on them. Take care of and retain good people. If they're happy, they'll make your customers happy. Many of us are great at planting and growing but can't deal with people. It's a common cause of business failure."

15 ways to build your operation

- ▶ Educate yourself; become a business person.
- ▶ Arrange for enough money to operate in a smooth manner.
- ▶ Price to make your services profitable, not just to get business.
- ▶ Have a plan for growth and stick to it. Extra business may sound good, but if you overextend yourself or lose money on the work, what is the gain?
- ▶ Sell only enough business you can reasonably handle.
- ▶ Learn to delegate; you can't do it all.
- ▶ Get involved with other landscape professionals.
- ▶ Have realistic expectations.
- ▶ Diversify your customer base.
- ▶ Focus on your key services.
- ▶ Understand and maintain good cash flow.
- ▶ Focus on people.
- ▶ Be 'in' the business; take it seriously.
- ▶ Always try to improve.
- ▶ Make sure key players are trustworthy.



Take care of and retrain good people. If they're happy, they'll make your customers happy.

13 Not 'being' in business. "You have to make a decision: Are you in business, or are you buying yourself a job? There's a low barrier to entry in our industry — two friends can buy themselves a job. They work on every job themselves. They make \$15 or \$20 an hour. And for some people, this is a good thing. They do excellent work and make a decent living," he explains. "But when they decide to add crews to get bigger, they find they can't work every job themselves. Now they need systems and processes. And they encounter things like overhead, supervision and labor issues — you name it. All of a sudden, they're in business. If they don't understand the difference, they're gone."

14 Complacency. "You'll be in trouble if you don't know what's happening on the cutting edge and if you're not continuously trying to improve your operation," he says. "You need to be aware, to keep learning, to keep doing things better than before. If you don't, one day you'll find you can't compete properly any more. That happens with too many people."

Cate: Screen trusted associates

Vickie Cate's firm handles mostly interior work, but her experience applies to any aspect of a Green Industry operation:

15 Don't hire a crook as your bookkeeper. Evergreen is a 20-year-old, \$350,000 a year company with about 10 full-time staff working for commercial and high-end residential customers. Vicky likes to get out into the field, do sales work and oversee her technicians. So a few years ago, when she found a competent, apparently trustworthy, take-charge bookkeeper, she was delighted.

"Little did I realize that we were a cherry waiting to be picked!" Cate explains. It turned out the go-getter bookkeeper went on to:

- ▶ kite checks and help herself to at least \$65,000 of company funds, and
- ▶ pull off the classic embezzler's stunt: turning the staff against the owner ("She's flighty and incompetent") and towards herself ("You can trust me, I get things done around here").

"It wasn't that I ignored the books completely," Cate says. "I looked at them.

And while I didn't balance the checkbook, I reviewed it. I knew what we took in and what went out. And eventually, there were problems."

Her bank came to think so, too. "We went from having \$50,000 to \$60,000 a month cash flow to a \$300,000 a month cash flow in the checking account! The bank saw that as a red flag."

Eventually, Cate had her CPA firm teach her how to conduct an audit of her books. "I performed the audit myself because the cost of hiring someone to do it was prohibitive," she explains. "I sat down every night and worked painstakingly to reconstruct the entire payables ledgers of my company." What she found horrified her so much that she stopped when she had only reached the first two years of the bookkeeper's five-year stint. "I didn't have the stomach to look back beyond that," Cate confesses.

The result of the audit was a federal prosecution of the bookkeeper for violating banking regulations, and a one-year jail sentence. For Cate, though, getting justice was not enough to solve her problems.

Too close for comfort

By the time Cate did her audit, all of her technicians had left (convinced by the bookkeeper that they were on a bad ship), and she owed all kinds of money to unpaid creditors. Fortunately, three factors saved Cate's firm:

- ▶ friends in the business agreed to do some of her jobs;
- ▶ she landed a huge contract that was all profit pass-through to her just at the right time, generating a lot of cash quickly;
- ▶ after she phoned all her creditors and explained her tale of woe, they agreed to spot her more time.

"It was a very close call," she said.

But how did an otherwise sharp businesswoman get taken in?

"When she applied, the bookkeeper told me that she had previously worked for a number of doctors' offices, all of which had gone bankrupt and out of business," Cate explains. "I was filled with sympathy for her and she was owed all kinds of money! Of course, I should have been asking myself, 'Why did the doctors all go out of business?'"

"Second, the woman's husband was in the military, so they had moved around a lot, making her past hard to pin down. Finally, the embezzler was just plain good at what she did," she said.

Cate's advice is take nothing on faith when hiring somebody who will have access to your finances. Check out everything. "And after you hire them, watch your books like a hawk!"

— The author is a contributing editor based in Mendham, NJ.

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