

best practices

GUIDELINES TO HELP AN INDUSTRY GROW

salaries

Payday for the owner

BY RON HALL /
EDITOR-IN-CHIEF

A few years ago a friend put his tight little lawn care company on auto pilot and treated himself to a brand-new Mercedes. This talented rascal looked the picture of entrepreneurial success cruising the tree-lined streets of his neighborhood in his big, black sedan.

He was paying himself fat and living large.

The next time we got together, maybe a season or two later, the Mercedes was gone, my friend's business was on the skids and his ego had taken a noticeable hit. On the plus side, he was looking tan and trim, being forced to do some of his firm's production again.

The way we see it, there are two issues here:

- ▶ The owner abandoned responsibility of the operation of his company without competent backup.
- ▶ The owner took too

much cash out of his company and there wasn't enough left at year's end to grow it.

What are you worth?

This leads us to the question: How much should an owner give himself/herself in salary?

Several of our editorial advisors, successful owners themselves, offered practical, if not particularly helpful, responses.

"As much as I can take out," said one, half seriously, it seemed.

"Whatever is left over," said another.

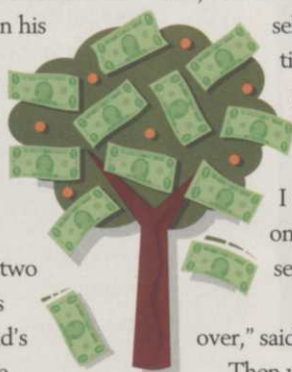
Then we recalled notes that we'd taken at industry consultant Kevin Kehoe's talk at the 2001 ALCA Conference. Kehoe said that a person running a \$1 million operation could reasonably pay himself/herself \$60,000 — about \$20 an hour for a 60-hour workweek (LM's '01 State of the Industry survey says that owners work, on average, 56 hours a week).

Jerry Gaeta, another respected consultant and landscape business owner, feels that an owner's salary and that of the office staff, sales or production person combined should fall between 8% to 12% of sales.

Obviously, the owner of a small company that's grossing, say, \$300,000 a year or less, is probably running the whole show — sales, management, perhaps even production — and can reasonably pay himself/herself what he/she would pay someone else to do these things. But, not more.

The company owner also strives to make his/her operation as efficient and profitable as possible, not only to build the company's value to clients but to return dividends (not necessarily a higher salary) to the owner at year's end.

"Some owners don't understand that they're supposed to have net profit at the end of the year," says Gaeta. "That's their money too."



Sound off

Did we miss a crucial point? Let us know. If we select your comments, we'll mail you a copy of the book, "Picture Perfect: Mowing Techniques for Lawns, Landscapes and Sports," by David Mellor, grounds supervisor for the Boston Red Sox. Send comments to: Best Practices, Landscape Management, 7500 Old Oak Blvd., Cleveland, OH 44130. Or e-mail your response to jstahl@advanstar.com.

Books compliments of Simplicity Manufacturing.

www.simplicitymfg.com.

The book is published by Sleeping Bear Press. Call 800/487-2323 or visit

www.sleepingbearpress.com



LANDSCAPE MANAGEMENT (ISSN 0894-1254) is published monthly by Advanstar Communications, Inc., 131 W. First St., Duluth MN 55802-2065. **Subscription rates:** one year, \$46, two years \$67 in the United States & Possessions; \$76 for one year, \$113 for two years in Canada and Mexico; all other countries \$148 for one year, \$220 for two years. For airmail delivery, include an additional \$70 per order annually. Single copies (pre-paid only): \$8 in the United States; \$10 in Canada and Mexico; \$15 all other countries. Back issues, if available: \$16 in the U.S.; \$20 in Canada and Mexico; \$30 all other countries. Add \$6 per order for shipping and handling. **Periodicals postage paid** at Duluth, MN 55806 and additional mailing offices. **POSTMASTER:** Please send address changes to Landscape Management, P.O. Box 6198, Duluth, MN 55806. Canadian G.S.T. number: R-124213133. Publications Mail Agreement Number 841919. Printed in the U.S.A.

Copyright ©2002 Advanstar Communications, Inc. All rights reserved. No part of this publication may be reproduced or transmitted in any form or by any means, electronic or mechanical, including by photocopy, recording, or information storage and retrieval system, without permission in writing from the publisher. Authorization to photocopy items for internal or personal use, or the internal or personal use of specific clients, is granted by Advanstar Communications Inc. for libraries and other users registered with the Copyright Clearance Center, 222 Rosewood Dr., Danvers, MA 01923 phone: 978-750-8400 fax 978-750-4470; call for copying beyond that permitted by Sections 107 or 108 of the U.S. Copyright Law. For those not registered with the CCC, send permission request in writing to Permissions Dept. Advanstar Communications Inc., 7500 Old Oak Blvd., Cleveland, OH 44130 or fax to 440-891-2740.

Advanstar Communications provides certain customer contact data (such as customers' names, addresses, phone numbers and e-mail addresses) to third parties who wish to promote relevant products, services and other opportunities which may be of interest to you. If you do not want Advanstar Communications to make your contact information available to third parties for marketing purposes, simply call toll-free 888-527-7008 between the hours of 7:30 am and 5 pm CT and follow the instructions to remove your name from Advanstar's lists.

