BESTPRACTICES

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Reevaluate capital investments

As landscape contractors, we don't look at the use of capital as part of our decision making. Sure, we worry about meeting payroll and cash flow, but at the same time, we make capital purchases and don't always evaluate thoroughly whether we're investing that capital wisely or making the best use of it. This recession probably has made many contractors dust off the balance sheet and begin to use it as a tool to measure overall business health. The banks and bonding companies are looking at financing more closely today, causing companies to take a harder look at debt and cash reserves.

Equipment purchases consume a large portion of landscape companies' capital. Unlike some capital purchases, such as those for facility equipment, some purchases can be a variable cost to a degree.

This is an expansive subject, but for now, I'm focusing on equipment purchasing decisions. Generally, we purchase equipment to reduce labor costs and perform work we're paid to do — mow, blow, edge and clean up. Many contractors love equipment and, in many instances, have strong opinions about it.

Contractors have developed practices of assigning equipment to single crews to discourage problems associated with abuse and instill pride of ownership. They like to equip all their crews with a similar palate of equipment because it's easy to manage. These aren't bad practices. In fact, I espouse some of them in principle. However, as we're all trying to figure out how to make money in a price-driven market, it's time to test all assumptions. The easy, safe way of managing just may not be affordable.

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Furthermore, maintenance programs are put in place to care for equipment that's more schedule based (day of week or interval of time) instead of running hours of the equipment.

We're in an unprecedented era of price cutting in the market that's starting to compress everyone's margins. Prices are unlikely to increase soon, so it's time to look anywhere and everywhere for margin savings and capital preservation.

One untapped area is equipment usage. If hour meters were used to evaluate use time of a piece of equipment, we'd find we have equipment in all our fleets that could allow us to do much more work without additional capital investment.

Most likely, that work would involve sharing equipment between crews, scheduling, an increased focus on preventive maintenance, etc., but it could allow companies to grow out of this recession with less capital investment. It could allow contractors to retire debt without taking on new debt. It could accomplish efficiency gains that would allow contractors to regain some of the margins they sacrifice with low prices.

In addition to equipment sharing, another concept that has been bantered about, but usually not implemented, is running split shifts, which could extend the use of equipment from 4 to 5 days to 6 to 7 days. When you start thinking like this, it opens unique opportunities to work on properties that aren't open for business, making it more favorable to work with less interruption or interference. This scenario creates management challenges, but trying to compete today within the old framework is challenging enough.

So, while it tests common practices, it might be time to look at equipment management and usage in a different way in a different world.