

An illustration on a teal background. On the left, a black stethoscope is shown. On the right, a white dart is shown hitting the bullseye of a target. A yellow sticky note is attached to the top left of the teal area.

## KEY PERFORMANCE INDICATORS

Monitoring key performance indicators helps prevent small problems from turning into big nightmares.

BY HEATHER TAYLOR

# MEASURING YOUR COMPANY'S HEALTH

**I**n business dealings, surprises generally aren't desirable. As the managers at Russell Landscape can attest, even companies that plan well can discover an overlooked item that has the potential to throw goals off-track. According to Teddy Russell,

CFO and partner of the Atlanta-based firm, one of Russell's largest divisions had a problem last year. It was an issue the team faced head-on.

"After looking at every property maintained by this division, it was determined two of the largest properties were utilizing more resources than budgeted," he

explains. "We made some adjustments, and met with the customer to discuss future pricing."

Russell, along with other Green Industry business leaders, says that companies with any business sense already are monitoring metrics such as revenue and sales figures. But there are other benchmarks to

keep an eye on if there's any hope of avoiding bad surprises. Here's a guide to other important metrics that landscape contractors say should be followed regularly, along with the frequency at which they should be examined.

**—1**

**Accounts receivable/payable**

Frequency: weekly/monthly

At Russell Landscape's weekly meeting, department heads review cash flow and sales reports along with receivables and payables.

"One item we never skip is the collection of delinquent payments for services performed," Russell says. "We devote a tremendous amount of time to this crucial task."

Each of Russell Landscape's 15 divisions is set up with an identical chart of accounts so

revenue and expenses can be monitored and compared across all areas of the company.

Owners review the figures on a monthly basis. Billings and work orders are also reviewed monthly.

"Assuming a company has systems and procedures in place to ensure profitable estimating and efficient operations, then a company needs to make sure the invoice is sent out in a timely manner," Russell says.

**—2**

**Production hours**

Frequency: weekly

Every week, the department heads at Westco Grounds Maintenance Co. gather to scrutinize what production hours should be versus what was charged. Before the field

crew members' paychecks are processed, supervisors can determine whether there's a variance from the scheduled production hours — and if so, what the problem was. Reasons for discrepancies can include equipment problems, traffic or new foremen, says Mike Palermo, vice president of the Houston-based company's maintenance division.

A report is processed on Monday afternoon for the previous week's labor and production figures. Supervisors and managers have about 12 hours to review the reports before their weekly Tuesday morning meeting. Once the reports are reviewed and reconciled, they're given to the payroll department for processing.

A primary goal is to review whether labor hours went over the production hours planned for each product, but it's just as important to examine why sometimes there are fewer labor hours than production hours, Palermo adds.

MONITORING AND TRACKING KEY PERFORMANCE INDICATORS HELPS BUSINESS OWNERS HIT THEIR MARKS.



**MONITOR THESE TWO, TOO**

**Fuel costs.** Sure, nothing can be done to stop fuel prices from skyrocketing, but if costs are rising above what was anticipated, adjustments need to be made elsewhere to compensate.

"It's a huge amount," Randy Newhard says of his fuel bill, adding it causes him to re-evaluate operations. "You have to figure out ways to reduce job costs, such as combine routes and trucks."

Newhard also responded to the soaring fuel prices by buying a fleet of fuel-efficient hybrid vehicles for the sales staff and managers.

**Lost items.** As the economy changed, managers at Russell Landscape Group decided that the company had to be as lean as possible.

"Our company now holds employees responsible for neglect or loss of company tools," Teddy Russell says. "Every crew is assigned tools and equipment, and must turn in old equipment to get it replaced. As the employees were held accountable, the expenses for items such as shovels, rakes, hand saws, etc., were lowered."

The company also started ordering this type of item in bulk versus at retail stores, which reduced the amount spent — as well as labor time spent off the jobsite. — HT



TEDDY RUSSELL

“Naturally, if hours logged are very off what our bid was, maybe there was work that hadn’t been done by the crew or foreman,” he says. “Whether it’s a residence or a community association or a strip center, we still want the job looking as pristine as it possibly can for the best possible price.”

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#### **Labor hours/rates**

**Frequency:** daily/quarterly

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 Keeping an eye on labor hours goes hand-in-hand with monitoring production hours.

Labor hours can sometimes be recorded inaccurately because of how the employees in the field fill them out, Palermo says.

“It’s not that employees will try to cheat, but sometimes they’re filing out the timecards at the end of the day, and not as they go along,” he says.

Russell agrees, noting that keeping an eye on the effect of a rising labor rate is just as important as keeping an eye on the labor hours.

“Successful landscape contractors know labor is the major expense and factor on whether the company will make the target profits,” he says. “There are critical times in our seasonal business where labor must be reduced or increased. Decisions hinge on variables including the weather, time of year and amount of work.”

Adjustments are warranted on a regular basis because the expense of labor can make a sizable difference on the bottom line, Palermo adds.

“If the labor rate has increased, we’re potentially losing money on the job,” he explains. “We look at where we stand with the average labor rate for company and factor it into overhead.”

This number is



NEW WAY LANDSCAPE AND TREE SERVICES REGULARLY TRACKS “HOT JOBS” AS A KEY PERFORMANCE INDICATOR.

reviewed — and adjusted as needed — on a quarterly basis at Westco Grounds Maintenance.

### 4

#### **Additional customer requests**

**Frequency:** weekly/monthly

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 Officials at New Way Landscape and Tree Services closely watch a category of business they call “hot jobs.” Whether it’s a customer with many complaints, somebody who gives a 30-day notice to correct problems, a submitted punch list, or a number of other matters, they are items that get top billing at meetings.

The company uses a service request system to track the items.

“If a property manager, building owner, homeowner or association owner has an issue that gets called in — they can email, fax, phone — it gets uploaded into the website,” says Randy Newhard, CEO of the San Diego-based company. “The client gets a password, and can log in three days later and verify if the irrigation head was fixed, leaves were swept, the pile was picked up, whatever it may be. It saves six to seven phone calls per work order.”

The requests must be completed within seven days. To maintain accountability, manag-

ers review a detailed report each month that shows when each issue was settled.

#### **THE BOTTOM LINE**

Different companies might find that different methods or benchmarks work for them. But a general rule of thumb is that if one of a company’s key indicators appears to be off, it might not be monitored often enough.

“If there is one division not hitting their target margins or revenues, we will go into more detail and analyze more frequently,” Russell says.

It also could be a wise investment to hire a controller to closely follow important indicators, especially as they relate to the ever-changing areas of finance and government regulations. It is becoming more crucial to keep business performance on track, Russell says.

“This tough economy has changed the expected target goals; however, the process remains the same,” he concludes. “There is no longer any room for mistakes. All operations and company expenses need to be as efficient and cost-effective as possible to remain competitive.” ■

*Heather Taylor is a freelance journalist with 6 years’ experience writing for the Green Industry. Contact her at [bwoodtaylor@gmail.com](mailto:bwoodtaylor@gmail.com).*



RANDY NEWHARD