

HOW-TO

Build a company that runs itself

BY JEFFREY SCOTT

Are you ready for the good life—by handing off the reins of your business? It requires making a three-step transition from full-time and overworked owner-operator, to professional manager, to partly or fully retired owner enjoying the fruits of your labor.

To achieve the dream of more discretionary time and money, you have to make eight personal shifts in how you think about and run your business.

1 Shift from gut instinct to data-based decisions.

Many owner-operators start off running their businesses based on instinct and manually gathered data, which they use to confirm their instincts. To transition to a professionally run firm, managers must acquire data, and employees must use them to improve their performance without having to wait for the owner's feedback.

Every day, foremen and supervisors should gather and use important data such as job costs, contribution per hour, revenue per day and percent of chargeable time.

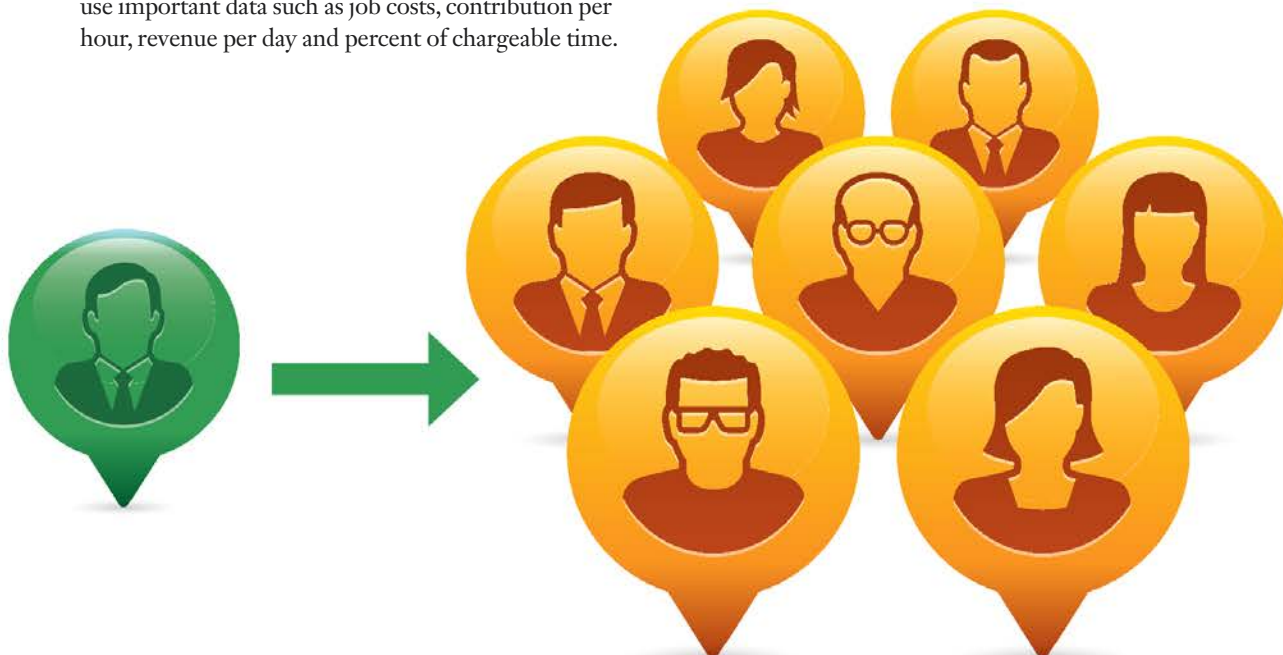
To stay on track, managers should collect and report gross profit, overhead expenses and other data weekly and monthly. They also should create and use sales goals to keep salespeople engaged.

Sometimes an owner needs to hire a manager who understands numbers better than he or she does. Don't be ashamed of your weaknesses; instead, hire people smarter than you. It's common in the corporate world.

2 Shift from owner-centered to management team lead.

The management team you put together can be as small as you and one other person or it can be a team of managers; it all depends on the size of your business. The team can consist of a general manager who oversees the entire operation, or it can consist of a team of managers each overseeing their own divisions (including the administrative division). You won't achieve wild success without building a team of people you can count on.

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3 Shift from micromanager to coach.

The owner of a developing firm drives its actions and profitability. It's through this micromanagement that the company succeeds. But this same management style may hold the company back from further success.

Delegate more by letting go and allowing others to decide. Also, become a coach to your people, supporting them in their decision making.

If you went into business at a young age, you may not have had a boss to be a good role model to you. But you've likely experienced a good coach through sports programs. The best coaches are interested in building up individual athletes and winning teams. Here are a few critical characteristics of winning coaches.

EDUCATOR. Winning coaches teach not just technical aspects of the job, but morals, hard work and teamwork. They also ensure their workers learn the skills they need to excel without obsessing that employees may take these skills elsewhere. It's better to have your employees be well educated and leave you than to be under educated and stay on your payroll. Be committed to their growth, and they will commit to your company's growth.

LIFELONG LEARNER. Leaders are readers—they go to education events, read and listen to books. You must be willing to stretch yourself to stretch the minds of others.

PASSIONATE, POSITIVE. You must bring this attitude to work every day. How would your employees rate your attitude, on a scale of zero to 10? Ask them for feedback. You are the thermometer by which they reset their own internal thermometer each day when they come to work.

OPEN YET DECISIVE. You must be open to input and engage your people to be part of your firm's success. On the other hand, you must not linger in doubt.

HONEST AND RELIABLE. The best employees want to work for someone who's trustworthy and reliable. That means being willing to take short-term hits (e.g. rip out a walkway and rebuild it to meet specs) to do the right things and build an honest reputation.

4 Shift from generous to selfish with your time.

Many contractors spend their time doing low-level tasks, and running around supporting their crews or taking their calls. This can be a huge time drain that keeps you from doing more profitable tasks. Getting out of this rut can be as simple as protecting a two-hour chunk of time each day to focus on strategic activities. Instead of

an open-door policy, consider a closed-door policy where you aren't to be disturbed between 10 a.m. and noon.

Start by delegating more. Meet with your employees and ask them what tasks you should be delegating to them, so that you can focus on more important business building. Create your own list of 10 things and then compare with the list they come up with. You will be surprised what they volunteer to take on.

5 Shift from 'all hands on deck' to clear roles and accountability.

All-for-one and one-for-all is how you first grew your business. But there comes a time when you have to instill more clarity and accountability into your culture. The following five steps will help create an accountability culture.

WRITE DOWN THE "MEASURABLE" GOALS EMPLOYEES ARE RESPONSIBLE FOR. Make sure they first buy-in to the goals. Spend your time upfront creating buy-in, and accountability will come easily.

CREATE RELATIONSHIP CONTRACTS. Identify what key employees should be doing for each other day-to-day. Most owners focus on what the person does for the company or boss, but they fail to write down what the boss does for the employee, and more importantly, what employees do for each other.

DON'T TOLERATE BAD PERFORMANCE. Give consistent and increasing feedback when people aren't performing. Give them three chances on critical activities. They may be in the wrong position or you may have a "systems" problem. When you meet with your employees, including during reviews, be prepared to take a hard look at your systems and be willing to make changes.

WEED OUT EMPLOYEES WHO DON'T SHARE YOUR VALUES. You may say, "It's hard to find employees, so I put up with their bad behavior." But if you don't let them go, you will find it hard to retain top employees because you've lowered your standards.

WALK THE TALK. You can't hold others to standards you are unwilling to meet yourself. You have to follow the company rules and behave with the same attitude and character you expect from them.

6 Shift from rainmaker to sales manager.

The owner cannot be the sole salesperson, and at some point he or she will want or need to step out entirely. Either way, form a sales team now. Ideally a team should have three salespeople to create internal competition and a spirit toward winning and cross sell-



QUICK TIP

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ing. Develop a system for tracking weekly success. The sales leader should track more than sales. The leader should be tracking pipeline activities; there are two kinds:

LEADING INDICATORS: new contacts at association meetings, lunch and learns, other warm leads, additions to your email list; and
LAGGING INDICATORS: prospect calls, prospect meetings, proposals given, etc.

The key in this transition is the owner shifts from sole rainmaker to sales manager.

7 Shift from the owner's brain knowing everything to having systems that guide growth.

There's a common belief that putting systems in place allows you to move around employees like chess pieces so you don't have to rely on people. It's not true. Great companies are built on good people running good systems. You will fail with poor systems, and you will fail with poor people. You need both.

8 Shift from working to taking time off.

Here's the Litmus test: Can you go on vacation without the company coming to a stop?

If not, start taking time off in chunks, identify what falls through the cracks, set up systems to handle it and empower your staff to make decisions.

Many contractors are afraid to take time off because they don't feel they deserve it.

I'm here to say that not only do you deserve it, but it's very important to building up the competence and trust required of your staff. They cannot feel empowered if you are always around.

Soon, you'll discover the definition of true wealth: discretionary time. **LM**

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