Q: HOW DO I GET READY FOR 2014

BY **KEVIN KEHOE**

A: I began last year's article about business planning with the following statement: "Painfully aware that any prognostication or prediction might be off base, any plan you make has to be based on critical assumptions." The key planning assumptions I made for 2013 last year were:

› **Labor costs will rise.** I was correct. The H-2B program is in shambles, and there's a growing labor shortage that will continue to put upward pressure on labor costs. This is still a valid assumption for 2014.

› **Pricing will remain flat.** I was right. Customers are resisting increases of pricing despite the increases of labor and fuel costs. Yet there's room for price increases in enhancement and construction work. Grounds maintenance pricing will likely remain relatively flat. This is still a valid assumption for 2014.

› **Interest rates will remain low, and gas prices will be flat.** I was accurate about interest rates until recently. The rate increase will be a problem in 2014 only if the increases stall the nascent recovery of real-estate prices and investment, which they won't. We somewhat missed the fuel-price increase. The national per-gallon-price of $3.61 is 22 cents higher than last year this time (6.5 percent). The forecast is for gas prices to continue their upward trend. We can depend on this because fuel prices are driven more by politics than supply and demand.

› **Better computer systems will allow for revenue growth without increased overhead costs.** I don't know how to measure this exactly, but with a few exceptions, it hasn't happened to the extent it should. While it's a valid assumption, making it happen has been a challenge. Overheads continue to rise.

» WEB EXTRA

To read Kehoe's article from last year, visit **LandscapeManagement.net/2012/11/14/how-to-prepare-for-next-year/**

Therefore, my general planning assumptions for 2014 include:

› Labor supply will fall and costs will rise.

› Pricing will remain flat. Overall economic activity will be sluggish.

› Interest rates will rise.

› Fuel prices will rise.

› Overhead will rise in employee-related expenses, such as workers' comp and health care.

There are two key strategies to address these assumptions and work into your budgeting process: revenue and labor strategies.

REVENUE STRATEGY

› Be aggressive with early renewals to maximize retention. Customers, especially in the homeowners association segment, are feeling the budget pinch. I'd plan for overall 88 percent to 92 percent retention. This means if you have $1 million in maintenance contracts, plan for the potential of $100,000 in losses. Plan for this and sell to make it up.

› Be aggressive selling new contract work for spring 2014 and enhancement work for this fall now. Budgets need to be spent this year but may be installed next, allowing a backlog buildup for 2014. Big landscape companies in every market are investing in salespeople, who have goals to achieve. This means they'll be calling on your customers.

› Flat pricing (not much in the way of contract increases) will be important, but market presence and salesman persistence will be more important. Invest in your sales effort.

› Be more aggressive raising prices and margins on your enhancement bids.

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ILLUSTRATION: ISTOCK INTERNATIONAL INC.

LABOR PLAN OPTIONS

$1,000,000			Annual Contract Revenue
$25.00			Price per Hour Estimated
40,000			Labor Hours Budget at that Price
2,000		2,000	Average Annual Hours / Man / Year
$15.00			Actual Wage Rate Paid - Burdened
#1 →		$15.79	Potential Wage Rate Paid - Raises *(See "Labor plan comparisons," below)*
Desired Savings	**Actual Savings Planned**		
10%	5%		Labor Hour Reduction - Lean Assume only 5% actually Achieved
Labor Savings - Assumed	**Labor Savings - Assumed**	**Labor Savings - Planned**	
4,000	2,000	38,000	Hours
20	19	19	Number of Men - Labor
$60,000	$30,000		Labor Dollar Cost
		$30,000	*(See "Labor plan comparisons," below)*
Overtime Premium		**Annual Work Weeks Assumed**	
$7.50		48	
OT Hours Allowable / Year	**OT Hours Allowable / Man / Year**	**OT hours Allowable on Average per Week**	
4,000	211		
#2 →		4.39	Potential OT - Additonal Hours Worked *(See "Labor plan comparisons," below)*

Planning pointer

Plan for increases in payroll per person. This strategy can be accomplished by raises in hourly rates (not necessarily across the board) and/or increasing overtime hours.

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LABOR STRATEGY

› Invest in lean management techniques in the field. Several of our clients have made this investment and reduced labor hours on contract work. Lean is a comprehensive approach to site management that matches crew sizes, equipment and materials to a sequenced plan for minimizing wasted time. Investing in lean can save 5 percent to 10 percent of labor hours. Using our example of $1 million in contract work at a $25 an hour revenue price, we get 40,000 hours required to do that work. A 10 percent reduction of hours—assuming a $15-an-hour burdened labor cost per man—is a savings of $60,000 a year, not to mention the reduced need for recruitment.

› Increase your recruiting budget. The recruitment costs for a new crewman is about $500, considering ads, signing bonuses, interviews and testing. Plan to spend more money on this next year.

› Plan for increases in payroll per person. This strategy can be accomplished by raises in hourly rates (I'm not suggesting across the board) and/or increasing overtime hours. The questions are how much can I afford, and how best to do this? The chart above provides a static analysis of the options. It assumes you execute a lean management strategy.

LABOR PLAN COMPARISONS

There are two points to make regarding the chart above: 1). Planning to reduce 10 percent of current hours as a result of lean management and giving 5 percent of the cost (see green box with $30,000) of these same hours back in the form of raises is equivalent to $15.79-per-hour raise, which is far more than required or will be necessary, and 2). Using the same assumptions in lieu of raises, the same goal can be achieved with overtime. In this case, when you save 10 percent of the hours and give back 5 percent ($30,000 or 4,000 hours of premium time pay—$7.50 an hour), the average overtime per week for a 48-week year is 4.39 hours a week.

BIG LANDSCAPE COMPANIES IN EVERY MARKET ARE INVESTING IN SALESPEOPLE, WHO HAVE GOALS TO ACHIEVE. **THEY'LL BE CALLING ON YOUR CUSTOMERS.**

The same planning approach used last year can be used for 2014 with these revised assumptions, but there's no such thing as a perfect plan. To paraphrase U.S. Gen. George Patton, a good plan well executed is far better than a perfect plan never executed. Hone your plan, and see if you don't have a prosperous 2014. LM

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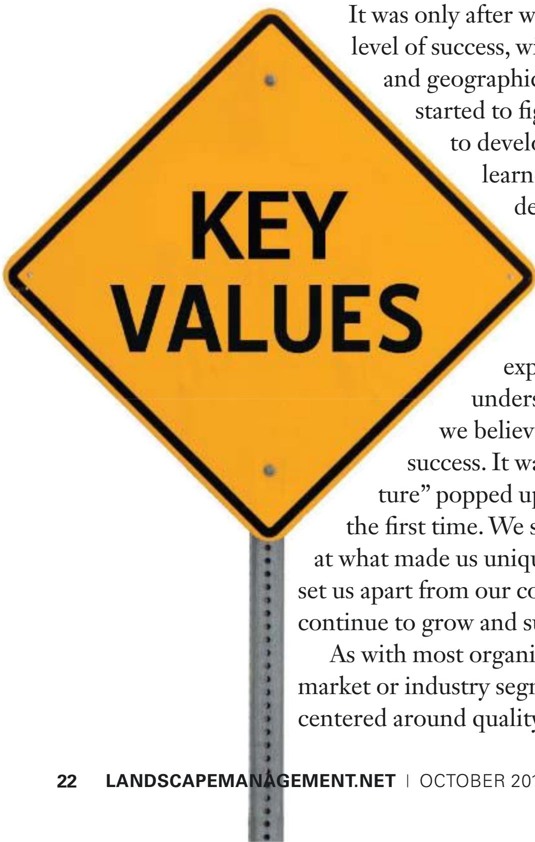
Q: HOW DO I LINK MY COMPANY'S VALUES TO OUTCOMES?

BY **CRAIG RUPPERT**

A: There's been much written about the importance of developing a distinct company culture. Like many of you, for the first 15 years we were in business, we didn't have the time or the energy to think about our culture, let alone develop a formalized mission or values statement. We were just operating an everyday business, keeping our customers and employees on board and trying to succeed and be profitable.



It was only after we achieved a certain level of success, with about 70 employees and geographic expansion, that we started to figure out we needed to develop consistency. We learned we had to further define what made us Ruppert and develop scalability around those ideas to ensure others within our expanding organization understood the principles we believe are important to our success. It was then the term "culture" popped up in our vocabulary for the first time. We started to look closely at what made us unique and what beliefs set us apart from our competition to help us continue to grow and succeed.

As with most organizations, no matter the market or industry segment, our key values centered around quality, customer service, employees and profitability. We carved out 12 core values that are important to our success and supported our culture. Once you determine your beliefs and document them (about 5 percent of the exercise), the real work can begin (the other 95 percent of the equation), which is getting your employees to understand those values, believe in them, adopt them and make them their own. Here are the steps you can take to link company values to outcomes:

Safety, measurement and documentation are a big part of the Ruppert Landscape culture. Here, a crew undergoes a weekly vehicle safety inspection.

PHOTOS: RUPPERT LANDSCAPE , ISTOCK INTERNATIONAL INC.

Start from the top down. As a manager or company owner, it's important to lead by example and live by the company values daily. That means adhering to the same standards you expect from

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Clockwise from top left: 1). Ruppert schedules companywide employee appreciation events, such as awards banquets or picnics, to show team members their contributions are valued. 2). Because Ruppert values people development and training, it tracks whether new employees—such as the group participating in this new field managers orientation—receive their training in a timely manner. 3). The safety incentive program rewards company field managers and branches that demonstrate their commitment to safety. Ken Thompson (left), Ruppert's Virginia Landscape Construction branch manager, accepts a check and award on his team's behalf from Dave Sanders, Ruppert's safety and loss prevention manager, for being the company's safest branch of the year.

PHOTOS: RUPPERT LANDSCAPE

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your employees, such as maintaining a certain work schedule, wearing the company uniform or driving a company vehicle. One of the best ways to reinforce your expectations is to set the standard by your actions so others can model the behavior.

Structure your values with policy. When you get busy, even your best-laid plans fall by the wayside. You meant to call your mom or planned to schedule a lunch meeting with a vendor to discuss a project. Often, the items on our to-do list that aren't urgent become less of a priority when schedules become busy.

WHILE IT'S IMPORTANT TO LOOK FOR AREAS WHERE SOMEONE CAN BE COACHED FOR IMPROVEMENT, IT'S JUST AS IMPORTANT, IF NOT MORE SO, TO **RECOGNIZE PEOPLE FOR WHAT THEY'RE DOING WELL.**

One way to ensure important tasks are receiving the attention they deserve is to build structure around them. If you say your people are your most important strength, be sure your policies reflect that. How will you ensure your employees are successful, knowledgeable and happy? Some examples include structuring training programs and guidelines for when you expect them to happen or regularly scheduling employee-appreciation events, which can be as simple as a lunch or happy hour after work to something more elaborate like an awards banquet or whitewater rafting trip. If you set goals and policies to ensure you'll take the time to follow through, you're more likely to succeed.

Measure what you expect. As you try to tie your values to your organization more closely, measure and document important areas to provide a point of comparison because it will be more clear where your successes and challenges lie. Putting numbers around anything that's essential to success might help underscore its importance. If providing excellent customer service is high on a company's value list, then performing yearly customer surveys might enable a company to better understand what's going well and what isn't. If a company's principles center around people development and training, it's valuable to track if new employees are receiving their orientation on their first day on the job and existing employees are receiving their evaluations in a timely manner. Putting employees first also might be measured through turnover rates or employee job satisfaction surveys.

Reward what's working. You might have heard the adage, "You can catch more flies with honey than with vinegar." That saying has implications in almost all areas of life, including the workplace. While it's important to be looking for areas where someone can be coached for improvement, it's just as important, if not more so, to recognize someone for what they're doing well. Recognition can be as informal as saying thank you with a quick pat on the back, taking employees out to lunch to congratulate them for a good job, presenting a formal award to them at an awards banquet or giving them a bonus.

If an organization values creating a safe work environment, incentivize that behavior by rewarding employees who are promoting hazard awareness or the team or branch that has consistently demonstrated their commitment to the company's safety culture through compliance or achieving the lowest incident rates. If an organization values employee longevity, do something special to acknowledge significant company anniversaries. Consider giving a monetary reward or hosting a celebration that recognizes significant achievements in an area of importance.

AS A MANAGER OR COMPANY OWNER, IT'S IMPORTANT TO **LEAD BY EXAMPLE** AND LIVE BY THE COMPANY VALUES DAILY.

As you look for ways to differentiate your company from the competition and stand out as the best choice for customers and employees, develop a set of values and ethics that will serve as a guide. By practicing the values from the top-down and adding structure, measurement and evaluation into the mix, along with a willingness to look at the process and ask difficult questions, you might be more likely to succeed. With the essential ingredients covered, there's a better chance your employees will be infused with principles you believe are crucial to your company's long-term success. LM

Ruppert is CEO of Laytonsville, Md.-based Ruppert Landscape. Reach him at info@ruppertcompanies.com.

Planning pointer

Once you determine your beliefs and document them, the real work can begin, which is getting your employees to understand those values, believe in them, adopt them and make them their own.

ILLUSTRATION: ISTOCK INTERNATIONAL INC.

Q: HOW DO I DEVELOP GOOD PEOPLE?

BY **BRUCE WILSON**

A: If your company is transitioning in size or you're at a crossroads that's holding up growth, there are steps and actions you can take to gain traction. Here are some things you can do to nurture your leadership energy and your need for the right team.

Q: I've reached $6 million and need to grow, but I'm stuck and can't build a team because of turnover. How do I improve my hiring practices to keep people longer?

Turnover can set back growth plans, cause contract losses and impact morale, so it's important to have a pipeline of people ready and able to step up.

If you've reached $ 6 million you have done a lot right. It's not common, however, to reach this level in a stressful environment. The sooner you have a people development plan the better. You must identify how you will staff and train for growth.

Q: I need to find good people, but I'm spending a fortune on ads and getting poor results. What can I do?

Filling empty positions can cost a lot. While headhunters can be a solution for key positions, in general recruiters are expensive and the time it takes to evaluate and select a suitable candidate can be a disadvantage.

Advertising now includes using online tools and social media, including Facebook, LinkedIn, Craigslist and Monster or CareerBuilder. These popular online databases can be effective but come with uneven results.

The best solution is to have a system in place for proactively identifying high-potential people at all levels and promote from within whenever possible.

Q: I hire promising college grads, invest in training them and they stay for a year or so and then leave. What can I do?

The career potential in our industry is really good, but college graduates are only part of a long-term solution. There are very good manager-potential people who have little or no college education, so the key is to hire for potential and make a long-term commitment for people development.

In small, entrepreneurial companies, some employees emerge as leaders or show intuitive or inspirational qualities in spite of the fact nothing has been done to develop their leadership skills. It takes time. The larger your company gets, the less time you have. You can't wait for your future leaders to develop independently; you must encourage leadership through a culture that supports your commitment to it.

Q: What's the best way to train people internally so I can promote them?

For a career training and development program to work effectively, you need a company culture that

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nurtures talent and promotes people based on merit. Your employees must know opportunities are there for them. If they gain new skills and take on more responsibility they can get promoted. Your employees need to know "training their replacement" is what will make them eligible to move up.

If your employees know you're committed, they'll be your most effective cheerleaders and help you promote it. Teach them how to coach and mentor their subordinates, especially high-potential and high-performing employees. Put your senior managers in charge of this initiative and make sure promoting from within is reinforced regularly.

Q: How do I build a mentoring culture?
A coaching and mentoring culture will better meet the demands for improved employee performance. But it takes time to grow and evolve.

Tie coaching outcomes to your strategy for success and make it a priority. Include measurements for accountability, and a broad range of intangible benefits such as increased employee engagement, job satisfaction, morale, teamwork and professional growth.

Assign a coach to promotable employees to see they get the right exposure of training and experience to ensure they are prepared when promotional opportunities arise.

For example, field supervisors in collaboration with crew leaders could identify crew personnel who show potential as crew leaders. Set up a plan for these potential crew leaders to ensure they get the experience they need to move up. Ultimately, this approach could work for all positions.

Also, remember to "coach during the game." Don't fall into the trap of waiting to coach employees until review time.

Q: I'm considering recruiting at our local schools. What's the best way to get started?
Companies that have the most success in college recruiting brand their organization on campus through existing connections. They establish a relationship with key faculty members who are influential in guiding students on their careers after college and utilize employees who are alumni of the targeted schools to help recruit other students. They also seek opportunities to speak or lecture to classes in support of the curriculum.

While cultivating your relationship with the schools, don't forget to reach out within your company. Develop internal plans to fast-track graduates to positions of incremental responsibility.

For interns, you cannot put them out in the field pulling weeds and mowing grass without a plan that gets them some varied experience. Most companies that do this well set up an eight- to 12-week plan to rotate interns through different jobs in the company, including sales and some exposure to account management so they can see what they can aspire to do as a graduate.

Q: How do I integrate newly hired external talent with my company's existing leadership?
Going outside to find and hire talent is an opportunity to balance the strength of your current managerial team and upgrade your company's leadership pool.

Companies with a talent mindset focus their attention on the individual's leadership capability and potential for professional growth. They hire from the outside using the same criteria for competencies they use internally.

Managers in a talent mindset company are expected to participate in identifying, attracting, developing and retaining future talent. It's also an important factor in the manager's own advancement.

Encourage your managers to meet competitors' employees at bid walks, homeowners association board meetings, supplier events and seminars. They should look for people who are results oriented and who are capable of stretch assignments or fast-tracking.

This may sound contrary to having a culture that promotes from within and there is a fine balance here. First, it's unlikely you will end up with a flood of talent through your employees, but over time you will have them develop relationships and networks so when there's a need they can reach out to someone who they think might be a strategic hire.

If you develop a culture where your employees see opportunities and are treated well, they will want to bring on other talented people they know to benefit the pipeline. In a perfect world, they might even find their own replacement when they get promoted. LM

Planning pointer

Assign a coach to promotable employees to see they get the right exposure of training and experience and to ensure they are prepared when promotional opportunities arise.

Wilson, a consultant with the Wilson-Oyler Group, is a 30-year industry veteran and a Landscape Management *columnist. Reach im at bwilson@wilson-oyler.com.*

ILLUSTRATION: ISTOCK INTERNATIONAL INC.

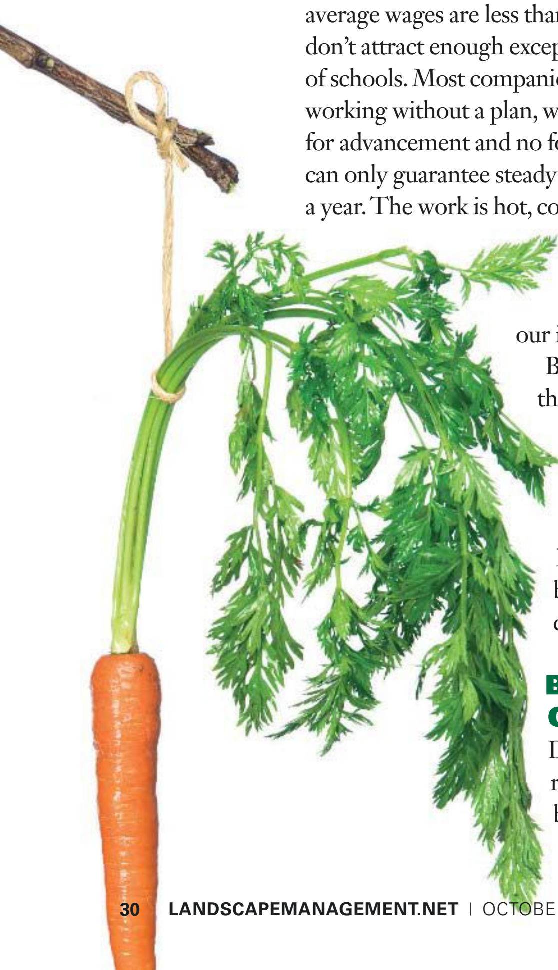
Q: HOW DO I MOTIVATE MY STAFF?

BY MARK BRADLEY

A: Every year, finding and keeping good staff is one of the biggest problems for landscape contractors. With industry prices stagnant and even deflating in some areas, it's never been more important to get maximum results out of your most important resource—your people.

THE PROBLEM

Our industry faces significant labor challenges. Our average wages are less than other trades, and we don't attract enough exceptional, young talent out of schools. Most companies are small businesses working without a plan, with limited opportunities for advancement and no formalized training. Many can only guarantee steady work for eight months a year. The work is hot, cold, wet and dirty. It's no wonder it's difficult to find people who want to commit their futures to our industry.



But you have a choice: Join the tens of thousands of other companies that play victim to labor problems or seize the opportunity to differentiate yourself. The labor problem, in fact, can be an extremely powerful competitive advantage.

BUILDING A DOOR OF OPPORTUNITY

During performance reviews for my company, it became obvious we lacked a system for employees to envision how they fit in. I find reviews are more positive when criticism is framed as "this is what you need to be doing to get to the next level" rather than "this is what your weaknesses are." But right after our review process came the questions: "When will I be re-evaluated?" "What else do I need to do?" "How can I move to a hardscape crew?" "Where can I go to get that training?"

Employees were motivated to move up, but there was no system in place to guide them, and they weren't about to make it up themselves. So we set the following system in place to define the opportunities available to staff and the criteria required to move up the ladder. There are five steps to implementing the system.

» WEB EXTRA

To download sample advancement opportunity criteria or view a video about effective employee bonus systems, visit the Web Extras section at **Landscape Management.net.**

1 Define the roles.

Identify different positions in your company as an opportunity tree. Even if you haven't had formal positions before, draw out what they'd look like. If they're not clear to you, imagine how your staff feels about future opportunities with your company. Make it look like a flowchart or an organizational chart. Use this for new and existing hires to illustrate the opportunities.

2 Establish pay scales.

We define fixed wage floors and ceilings at each position. Ceilings motivate development. An A-level laborer will bump up against a wage ceiling eventually. To earn another raise, he needs to develop himself into a bigger role. Incentive systems based on time served breed overpaid, underperforming employees.

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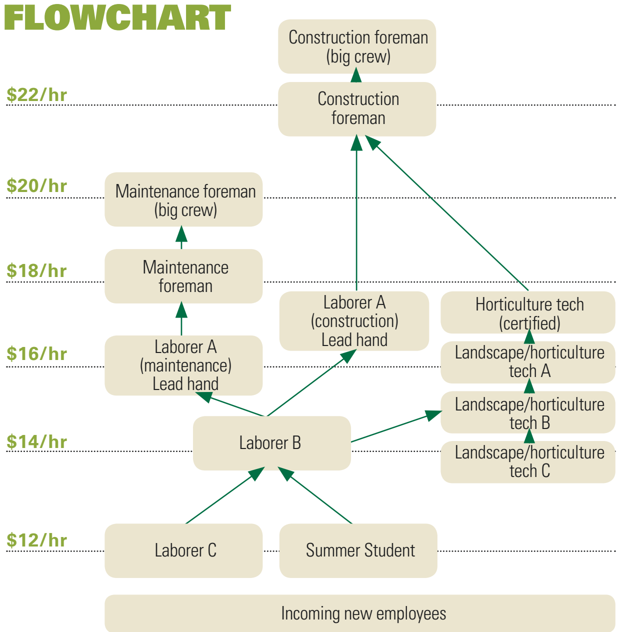
PHOTO: ISTOCK INTERNATIONAL INC.

SAMPLE FUTURE OPPORTUNITIES FLOWCHART



**Opportunity paths are suggested/typical but don't necessarily need to follow the order above. Wages and positions have been changed for confidentiality.*

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3 List your requirements.

Define your standards for each position. To move up to a B-level laborer, you need to take a first aid course. To be a stonemason apprentice, you must register in an apprenticeship program. To be a foreman, you must become a Landscape Industry Certified Technician. Whatever your firm's criteria are, put them in writing to give your staff a clear road map. Ensure you've got a plan for which training expenses (if any) your company will cover (e.g., employees do the course on their own time, but you'll reimburse the cost of the course after completion).

4 Make your goals their goals.

I believe strongly in employee incentives, especially at the foreman level. Hourly wages put the company and its staff at odds. The longer jobs take, the worse for the company, but the better for the staff. If we want to inspire performance, we must create incentive systems that reward staff for achieving company goals. Keep your goals objective. Bonuses given without transparency for how they're calculated are forgotten faster than they're spent. Objective goals are based on criteria such as beating sales or production targets, estimated hours and a target sales-to-wages ratio (total sales divided by total wages).

5 Stick to it.

You need regular feedback and reinforcement. Have a performance review at least once a year with written objectives and give your staff a copy. Come back to that document during the next review. Share information, such as how the company is doing relative to our bonus or incentive goals. Discuss it in meetings. Put a chart on the wall at the shop. Without regular reinforcement, this will be just another change that didn't work.

THE RESULTS

› **Better hiring.** Your opportunity tree diagram is an ideal tool for hiring. Show prospects the opportunities for growth in your company. You'll excite the right kinds of employees and drive the wrong kinds to find work with your competitors.

› **Better motivation.** Without an opportunity system, staff will lack drive and motivation. Visible opportunities, clear criteria, incentive systems and wage ceilings work together to provide strong incentives for improvement.

› **Better culture.** Everyone knows who's moving up and why. They know the expectations you set. Raises and promotions are earned on merit, not just time served.

› **Better accountability.** You're putting the responsibility on your employees to develop themselves. You've provided the framework. It's up to your staff to take advantage of it.

› **Better responsibility.** Delegate work easier by making certain roles and responsibilities part of your opportunity criteria. Inspire others to sweat the small stuff, so you can focus on the big picture.

› **Better sales.** Our employee-training program has played a role in our sales presentations to customers with high standards for health and safety.

› **Better profit.** Worried about rising costs because of raises? Consider this: A raise of $1 an hour will cost you about $1.25 an hour after taxes, benefits, etc. That's $12.50 a day. If that employee is just 10 percent more productive as a result of his training, engagement, experience and attitude, then you've added $40 a day in productivity, assuming a charge-out rate at $40 an hour, 10 hours a day). The difference is even bigger if he's installing materials. He'll install 10 percent more material a day, as well.

Defining opportunities for your staff is just as important for your company as it is for them. Hiring key people off the street is like handing the keys to your business to a stranger. A few mistakes can cost you a lot of money in a short amount of time. Given the industry's turnover, successful companies must be focused on developing their talent. Current employees know your systems and procedures. You know their strengths and weaknesses. It's a win-win for the company and employees. LM

Bradley, president of TBG Landscape in Brooklin, Ontario, and co-founder of the Landscape Management Network, can be reached at mark@golmn.com.