employees to maintain its success.

"We talk a lot about great crews, great branches, a great company," says Hjelle. "A lot of it is treating them the way you would want to be treated."

THE GREENERY

The establishment of an Employee Share Ownership Program (ESOP) has made a difference for The Greenery in Hilton Head, SC. Led by Lee Edwards, The Greenery covers coastal South Carolina and Georgia, doing mostly residential work in Hilton Head and commercial in its other markets; services are 70% maintenance, 30% installation.

It took time for employees to embrace the concept of having ownership in the company, but once they started seeing the value of their shares rising on their annual stock certificates, they started to realize the role they created in the company success, Edwards notes.

"A lot of people think businesses are created to make jobs," says Edwards. "That's not the case. Companies are created to make money for the owner. We're no different. We're trying to be a profitable company. But in this case, everyone who works here who is vested starts to see the profits going back to them — and they develop an 'ownership' mentality."

The company's mission statement is to be the highest quality landscaper in the markets it serves — not to be the cheapest, most expensive or the biggest, Edwards says.

The Greenery team has maintained its philosophy throughout the recession, and has worked with clients who have taken a hit by the economy through decreasing hotel bookings, empty office space or foreclosures. That creates a tendency for property owners to seek the lowest bid for landscape services.

Edwards tells those clients his company has been with them in good times, and will continue to partner with them in bad times.

"We've told them, 'We know the income is not what it used to be, so let's tailor a program for this property that will make it look the best it can for what you can afford,'" he says, adding that as times improve for those clients, the previous service level is reinstated.

Still, there are some who will go elsewhere.

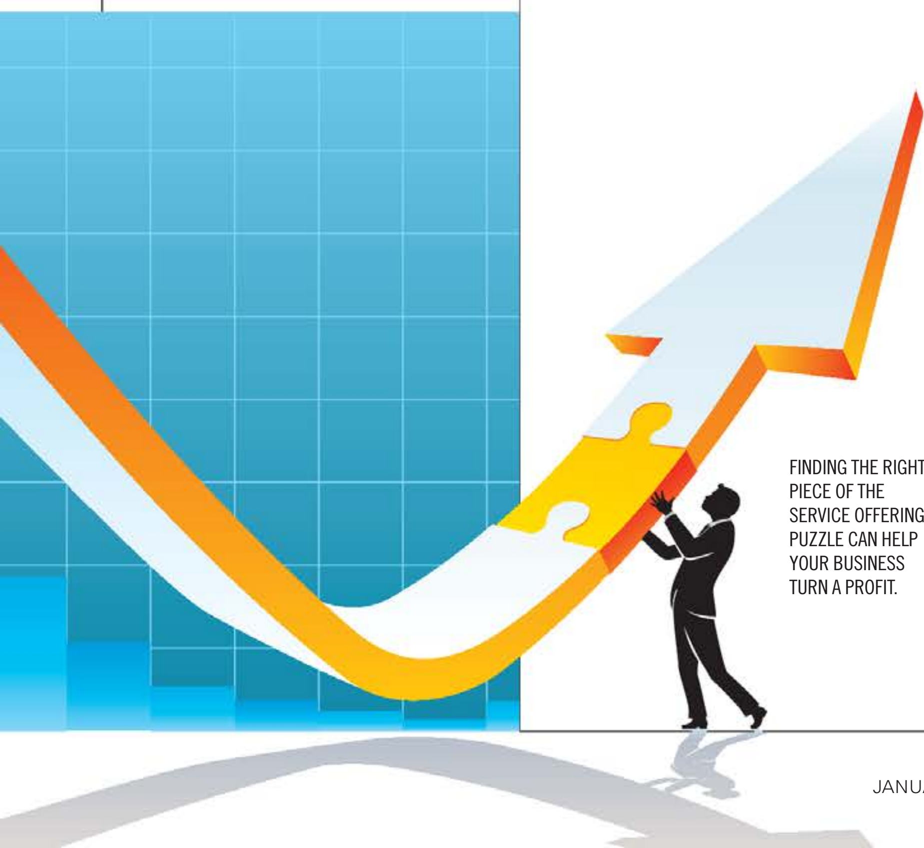
"We lost a little business like that," Edwards says. "We had an awful 2008 and 2009, but we grew in 2010 and 2011."

The Greenery also has acquired smaller competitors to expand its market share, and has pursued municipal work in an effort to diversify.

"It used to be there was always lots of new construction happening, and as soon as we built an entrance or an amenities center in a new community, we'd roll into the maintenance," Edwards says. "Those days are over. We've had to find new ways to bring in new clients, and that's going out and knocking on a lot more doors than we used to."

Keeping an eye on the health of the business has meant tracking labor costs and other expenses on a daily basis, Edwards says. He's asked vendors for early pay discounts, reducing the MOD rate on the Worker's Compensation, and canceling services that are "nice," but not necessary, such as coffee services.

"What's enabled us to grow in this economy is the employee ownership," Edwards says. "I can't stress that enough. When clients see our employees on their job working with pride, showing up looking sharp and doing a conscientious job, people notice it."



FINDING THE RIGHT PIECE OF THE SERVICE OFFERING PUZZLE CAN HELP YOUR BUSINESS TURN A PROFIT.

ILLUSTRATION BY: ISTOCK INTERNATIONAL INC.

AMERICAN LANDSCAPE SYSTEMS

American Landscape Systems began in 1985 doing residential work. Today, the company's sole focus is on the commercial market, with services in landscape and irrigation installation, maintenance and hardscape in the Dallas/Fort

Worth region. The company also does irrigation repair, and serves as a general contractor for several park and streetscape projects.

"We didn't want to be reliant upon any one type of commercial work," Joseph Angelone, vice president of American Landscape Systems, says of the company management's decision 10 years ago to switch its focus. "You don't want to be doing all residential work, and then the residential bust happens and you're basically starting over. We wanted to be able to perform in different markets, so when one goes down and the other goes up, we'd still have an even spread of work."

Today, the company is finding work in the municipal sector.

"Municipalities are still building schools, streets and new parks because they build their bond packages over four and five years, so you really don't get that up and down you get on the private development side," Angelone says.

A company's bonding capability is critical for government work, Angelone notes.

"If you don't have the financial stability or the capability to provide the bond, you can't do work for them," he says. "That will separate you from your competitors quite a bit, because there are a lot of new or smaller companies that don't have the financial capability to do so. A bonding company won't stand behind them."

Bonded work currently comprises 75% of the company's business, Angelone says.

American Landscape Systems also has a network of subcontractors, which enables the company to act as a general contractor for larger landscape and irrigation projects. Plus, Angelone says his team is always seeking new revenue streams. For example, the company provides construction of playgrounds and screen walls, which block noise and provide privacy for developments.

"There's a lot of money that goes into those," says Angelone, noting that the first one the company did was a $100,000 playground.

Looking ahead, the company's goal is to become more service-oriented, Angelone says.

"Service contracts — ongoing maintenance for clients — are 25% of what we do. We'd like it to be at 50% or 60%," he says. "You can rely on it, because it's an annual agreement that gets renewed each year. That allows you to count on parts of your business that are going to be there, no matter what happens in the market."

American Landscape Systems has from 90 to 115 employees. "That's a small fluctuation for a company of our type," Angelone says.

American Landscape Systems offers its employees health insurance and the opportunity to make overtime pay.

Managing the company's cash flow means making sure accounts receivable are paid within 30 to 45 days, Angelone says.

"If you're putting out enough work that you'll have money coming in a timely fashion, the basic investment we have as a company is 30 to 45 days of payroll, and we're able to keep going," he says. "If we grow the company, we're going to grow the revenue, so in turn that takes care of the payroll situation."

It's also important to have positive credit alliances with vendors, Angelone says.

"You've got to keep your vendors and give them a complete understanding of what's going on with your company," he says. "If vendors know what's going on with their invoices, it means a lot to them. Alliances with vendors are just as important as your employees, and being able to have six to eight weeks of payroll invested in the company before you receive a dollar back is how we do it." ■

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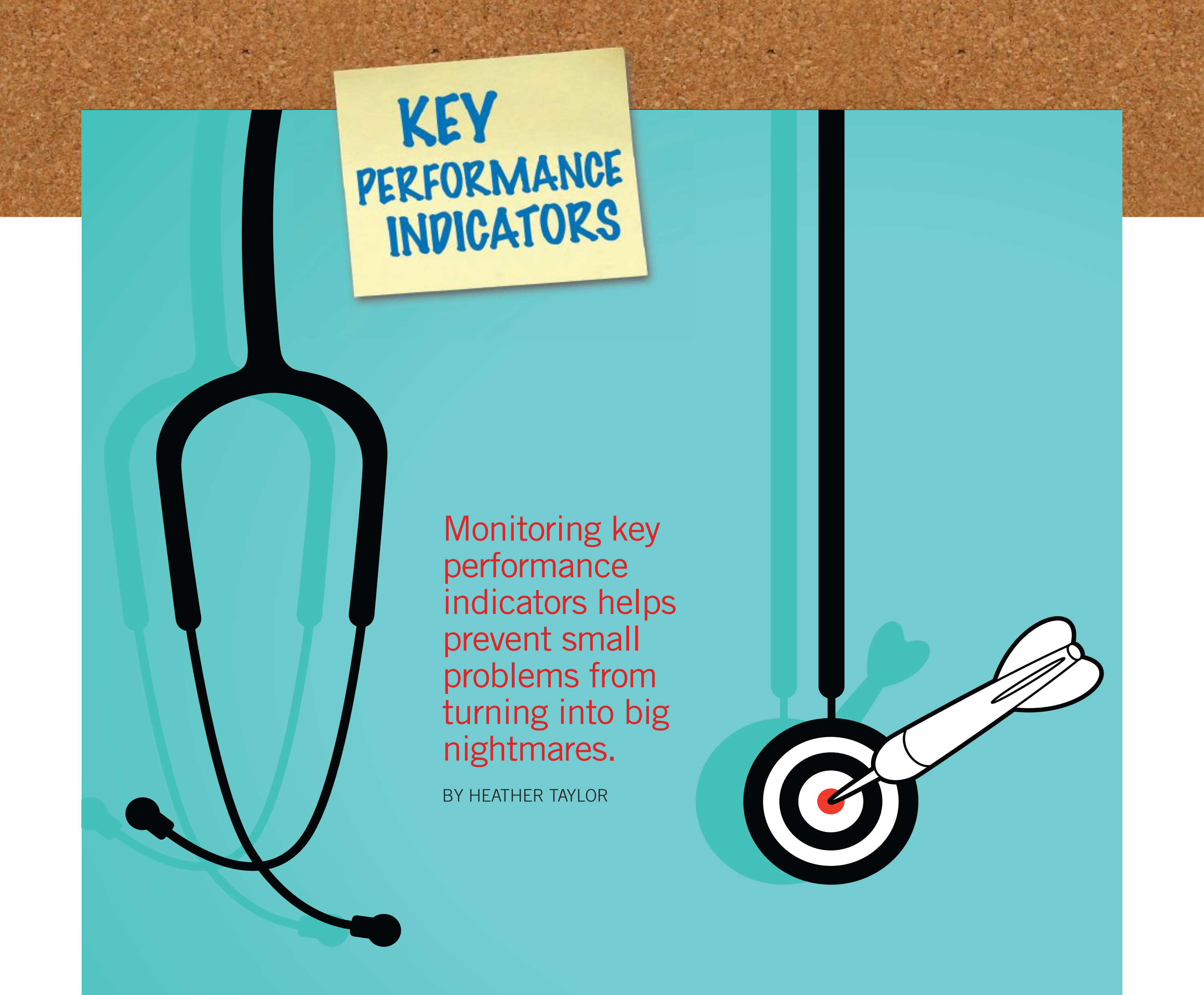
THE BRICKMAN GROUP KNOWS SUCCESS REQUIRES CONSTANT TRAINING.

PHOTO COURTESY: THE BRICKMAN GROUP



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

BY HEATHER TAYLOR

MEASURING **YOUR COMPANY'S HEALTH**

In 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

ILLUSTRATION BY: ISTOCK INTERNATIONAL INC.

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."

TEDDY RUSSELL

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

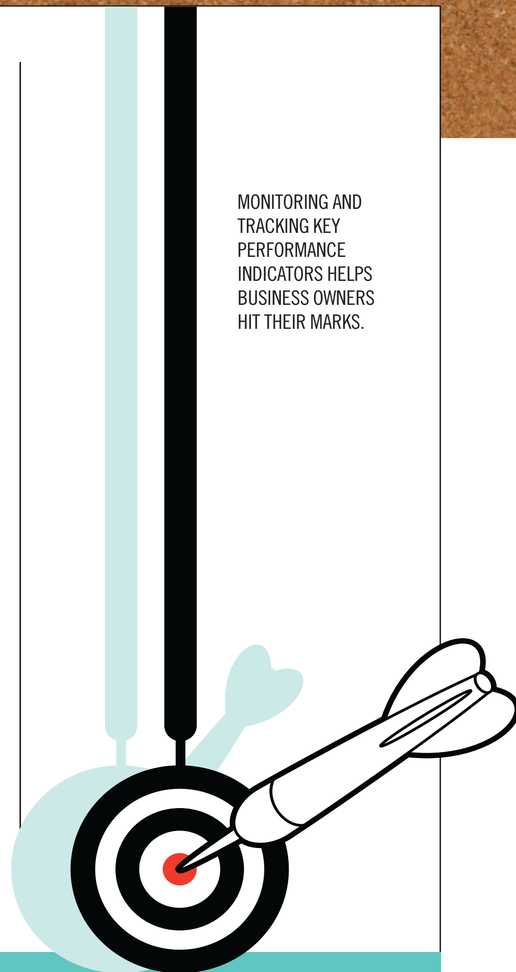
Production hours

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*

"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."

—3

Labor hours/rates

Frequency: daily/quarterly

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

NEW WAY LANDSCAPE AND TREE SERVICES REGULARLY TRACKS "HOT JOBS" AS A KEY PERFORMACE INDICATOR.

PHOTO (TOP RIGHT) COURTESY: NEW WAY LANDSCAPE AND TREE SERVICES

—4

Additional customer requests

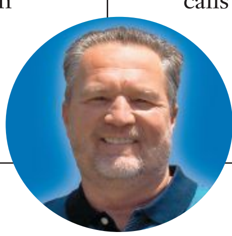
Frequency: weekly/monthly

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



RANDY NEWHARD

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 hwoodtaylor@gmail.com.

FINDING EFFICIENCY

TAKING INVENTORY

SOME BUSINESS OWNERS ARE METICULOUS ABOUT TRACKING THEIR INVENTORIES.

Leading landscape professionals reflect on efficiencies on fleet and equipment needs without sacrificing quality.

BY TOM CRAIN

In today's challenging economic environment, landscape professionals are finding it crucial to keep service and repair costs down. Many financially strapped equipment and fleet managers are caught up in the daily grind of keeping old, faulty equipment in service for short-term gain — without any well thought-out, condition-based maintenance or equipment management strategy in place for the long run.

Should you repair your existing equipment, or spend the money to purchase new? We found some leading landscape professionals willing to offer their tips and tricks for evaluating their equipment needs and maintaining their vehicle fleets to keep costs in line, or even reduce costs.

MORE WITH LESS

Dallas-based EarthWorks hasn't had to make any major changes in how it handles equipment because it has always been conservative on spending. The landscaper provides premier, full-service landscape management services for multi-family and commercial properties.

"Fleet and equipment management is a constant evolution for us," says General Manager Chris Lee. "Even in these tough times, you need to do what makes sense. You don't want to be chasing your tail, or it can be a downward spiral. No matter what, we never let short-term issues derail our long-term plans."

Dean Snodgrass, vice president of and one of three brothers operating Dennis' 7 Dees Landscaping in Portland, OR, agrees that "even when times are tough, we don't advocate cutting service or routine inspections on our fleet and equipment."

Many landscapers are saving money by downsizing the size of their trucks for their crews, doing more with less equipment — and in some instances, relying on alternative transportation.

"There was a time when a large fleet made me happy," says Snodgrass. "But we realize now that we don't necessarily need large, heavy trucks on-site all the time and for every job. We are always re-thinking the size of vehicles necessary. In some instances, we even encourage our crew to use light rail for their prime source of transportation to get to jobsites downtown or at the airport."

In the past, EarthWorks leased its fleet, but now it owns all its vehicles. "When we were leasing, it cost us more money," says Lee. He found that most leasing companies charge a "management fee" built into the lease rate. "Unless you plan to lean heavily on the leasing company for disposition or other value-added services they provide, you can borrow money a lot cheaper from your bank."

BUDGET AHEAD

When it comes to budgeting for vehicles and equipment, landscape leaders look closely at projected

ILLUSTRATIONS BY: ISTOCK INTERNATIONAL INC.; PHOTO COURTESY: CAGWIN & DORWARD equipment maintenance costs and evaluating prior repairs. Proper budgeting, maintaining good records and being proactive on repairs are sure-fire ingredients.

Each year, Cagwin & Dorward Landscaping Services, in the San Francisco Bay area, projects fleet and equipment sales revenues and maintenance expenditures for the upcoming year based upon actual costs from the previous year.

"We drill down on actual equipment purchases," says Steve Glennon, vice president, treasurer and COO.

Cagwin & Dorward uses tracking software to evaluate its remaining vehicle and equipment life versus the cost of repair and replacement to make the decision about repairing existing equipment or spending the money to purchase new.

"We try to keep the evaluation process simple by breaking down the condition of each unit into four main categories: age of unit, running condition and interior and exterior conditions," says Glennon. "After that, it's just making quality decisions based on data and budgets."

Dennis' Seven Dees has a similar system. "We know what expenses go into service work, and what portion goes toward repair," says Snodgrass. "To make a decision about when to retire a vehicle, we review all of the data. We do a physical check-up and talk to the operator. We will review what money has been spent."

When repair costs outweigh the actual value of the piece of equipment, EarthWorks replaces it. "If repair and replacement parts costs are 60% or more of the actual value of the piece of equipment, it's taken out of commission," says Lee.

Dennis' Seven Dees eliminates extra expenses, like towing bills or major damage repairs, which Snodgrass says can add up significantly to the bottom line.

"We keep close tabs on the performance of our vehicles by having our operators give us constant feedback," he says, noting his firm also tracks all repairs on hand equipment such as blowers, edgers and trimmers to determine turnover by projected repair costs and performance.

EarthWorks used to have a policy to sell and replace all its smaller equipment at the end of every season. "What we sold it for did not cover the capital of the initial outlay," says Lee. "After subtracting the maintenance and repair savings, it was still 30% more expensive."

Larger landscapers find it feasible to do their own repairs with in-house maintenance staff.

"We perform 95% of our own repairs in-house," says Glennon. Cagwin & Dorward still finds it challenging to manage repairs, however, because its operations are so spread out. "Our entire geographic footprint covers 14,000 square miles," Glennon says.

EMPLOYEE BUY-IN

The landscapers Landscape Management interviewed all agree that it's a good practice to encourage support from their crews on equipment maintenance. Dennis' Seven Dees conducts a tag-out system.

"When a vehicle is tagged, it goes into the work order list for our mechanics to schedule," says Snodgrass. "We write it up quickly, and can do a 24-hour-or-better turnaround on most basic repair jobs."

EarthWorks includes discussions on equipment conditions in conjunction with its weekly safety meetings. "We go over basic maintenance tasks on how to protect the equipment they use, based on whatever problems the mechanics are seeing frequently," says Lee. "Cleaning filters, checking oil and properly greasing fittings are commonly stressed to all our crews."

Maintaining longstanding, positive relationships with dealers and contractors is also stressed, to encourage them to provide great deals and terms — especially during these difficult economic times. ■

THE CAGWIN & DORWARD TEAM USES TRACKING SOFTWARE TO DETERMINE THE REMAINING LIFE OF ITS VEHICLES.

The author has been a freelance journalist and contributor to B2B publications, including many in the Green Industry for more than 20 years. Contact him at Tom Crain tecrain@goingreenguy.com.

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A little give and take

Every day, Alonzo sat on a crate outside Walgreens, cheerfully greeting passersby. His jovial "hi!" rang out like a song as yuppie parents and their children strolled by.

Alonzo lived in the men's shelter up the street from me in Chicago. He donned a worn black cap, jeans and a grungy shirt every day. He was thin as a rail, yet he never asked for anything. He reached out his hand, not for money, but to shake the hands of others.

Whenever Alonzo saw me, he hugged me, and his voice inevitably rose into a sing-songy, "How ya doin'?" When he asked that question, he listened to the answer.

I lived in that neighborhood for four years. In all that time, Alonzo never asked me for money, and I never gave him any. I rarely gave him anything but attention.

Occasionally I'd buy him lunch, or on hot summer days, a Dr. Pepper — his favorite. I considered him my friend. Maybe I was naïve, but conversation seemed to mean more to him than money.

If I gave the same attention to every homeless person that I did to Alonzo, I would never get anything done. And if I gave them all money or bought them all lunch, I would be as broke as they are. So I understand why people walk by homeless people on the street.

And I can't blame the couple who blew right by a homeless man in the days leading up to Christmas, even as he implored them repeatedly, "Please help a hungry man out."

I was on my way to do last-minute Christmas shopping. Heck, I felt grateful the man wasn't talking to me. I kept walking. Then I turned around.

"You hungry?" I asked the man. There was a Jimmy John's sub shop right there. "Wait here. I'll buy you a sandwich."

"I don't want a sandwich," he said. "I want wings."

Wings. Huh. If I had been smart I would have told him right then and there, "It's Jimmy John's or bust."

But I didn't. Instead, I found myself being carried along wildly, as if by some strong current. So off we went to get wings.

By the time it was over, the man was dining on a burrito grande and a Corona inside an upscale Mexican restaurant and I was out $20. I left thoroughly angry at myself, wondering what just happened, trying not to think about what was about to transpire inside the restaurant.

People always say, "Beggars can't be choosers." Apparently they can be, at least when I'm around. I may have lost 20 bucks from this experience, but I gained priceless wisdom.

There are various levels of giving, and now I see there are various levels of taking, too. You can give begrudgingly. You can give selflessly. You can accept graciously. Or you can take greedily.

In buying the homeless man dinner, I discovered far more than the going rate of a burrito. I learned you can give willingly and still be taken for a ride; that generosity is not always noble; that with the right audience, even a beggar can be demanding.

Later that evening, I continued my shopping. I bought gifts, but my mind was on my friend Alonzo. I look for him whenever I visit Chicago. The last time I went, his crate was there, but he wasn't. If he had been there, I might have bought him lunch. Or I might just have given him a smile. It's the only thing he ever asked me for.

In buying the man dinner, I discovered far more than the going rate of a burrito.

H-2B OR *NOT* H-2B

Contractors across the country are battling Department of Labor changes to the H-2B visa program that if implemented could cripple their businesses.

That sigh of relief you might have heard late last month was the collective exhalation from contractors across the country expressing their relief that two rule changes that would drastically alter the H-2B visiting worker program were put on hold until later this year.

On December 16, Congress included language as part of its spending bill that delayed the change in the Department of Labor's (DOL) wage methodology that would have dramatically increased the hourly rate contractors are required to pay their H-2B visa workers. The delay pushes the rule changes to Sept. 30 of this year. Contractors are still waiting to hear the rulings on two separate lawsuits tied to the DOL changes.

"It's great we've got that long extension, but we would have preferred to get the ruling on our lawsuit," says Tom Delaney, government affairs director for the Professional Landcare Network (PLANET). "At least everybody knows for the next eight months where they're at. The judge really has until September to rule, but we think she'll rule well before September."

The current uncertainty leaves some contractors with an unpleasant nagging feeling in the back of their brains.

"When are they going to say, 'It's not going to happen. You don't have to worry about this anymore," asks Bill Gordon, owner of Signature Landscape, Olathe, KS. "I don't think it's going to happen. I don't think legislators are willing to push hard enough to eliminate the stupidity they've come up with."

The delay allows contractors to move ahead with their plans for 2012.

"It buys us the spring and the summer, but the same problem rears its head (in the fall)," says Fred Haskett, managing partner/operations for U.S. Lawns, Defiance, MO. "We're going to spend a huge amount of our time going back to Congress again and spending a lot of time that we could be devoting to building our businesses, taking care of our clients, taking care of our employees and creating jobs into fighting the federal government on a continuous level."

According to Delaney, senators and members of the House of Representatives are finally beginning to realize this is a small business issue and not an immigration issue.

"People in Congress understand what we're dealing with now and are becoming more empathetic to us," Delaney says. "It's a result of our lobbyists and our members. They finally understand what impact the DOL would have."

The lawsuits and rule changes are just as important to contractors who don't use the H-2B program.

"If we lose our H-2B workforce and are looking for replacement workers at the local level, we're going to aggressively advertise and look for people, and guess who we're going to be recruiting," Haskett says. "We're going to look for the guys that have some experience."

continued on page 32