$3.30 per gallon—"the cheapest in a long time"—his company makes it a point to cut fuel costs. Its crews are working four-day workweeks as much as possible, it has implemented GPS technology to help with routing and it's enforcing a no-idling policy.

"We're making sure the tire pressure is up, going the speed limit—all that stuff," he says. "We'll spend over $700,000 this year in gas and diesel. That's a huge expense. Even if we save 10 percent, that's $70,000."

At Images of Green in Stuart, Fla., President and CEO Jeff Bowen has seen stable gas prices between $3.60 and $3.80 per gallon. He keeps costs down with on-site fuel tanks so the crews on his 16 vehicles don't have to waste time and money stopping at gas stations. He is also part of a fuel co-op. The $1.8 million full-service firm spent about $75,000 on fuel last year and will spend a little more than that this year, Bowen says.

Steve Chepurny, president of Beechwood Landscape Architecture & Construction in Southhampton, N.J., is also pleased with the relatively steady fuel prices, compared to other years. The $6 million full-service firm has gone as far as to "protect itself" on fixed contracts by implementing fuel surcharges.

Most equipment, supplies going up

Unfortunately, contractors can't protect that way in every area. For example, Chepurny says the price of equipment is "just getting crazy."

The *LM* Industry Pulse survey shows contractors' equipment costs rose 7 percent in 2012 over 2011 and they expect them to go up another 15 percent for 2013.

"I think it goes up 5 percent every year," says Chepurny of equipment prices. He purchased one truck this year and may have to get another one by yearend due to the company's growth.

Dan Dahlkemper, owner of Dahlkemper Landscape Architects & Contractors in Erie, Pa., says "everything seems to be up a little." His company has an annual revenue of around $3.5 million; it's about three-quarters design/build and a quarter maintenance. The cost that's most troubling to him is when vendors—typically hardscape and plant material suppliers—tack on fuel surcharges. "That just bugs me," he says.

Bill Banford, president of The Sharper Cut in Upper Marlboro, Md., also has seen increased fuel surcharges on bulk product deliveries. The biggest upswing in pricing he's witnessed has been for materials like lumber and vinyl products. Because these prices have increased by about 30 to 40 percent, The Sharper Cut has increased its deck-building prices.

Insurance rising

Insurance costs are another obstacle for landscape companies. *LM* Industry Pulse research shows landscape firms' insurance costs increased 14 percent from 2011 to 2012, but companies are anticipating only an 8 percent increase for 2013.

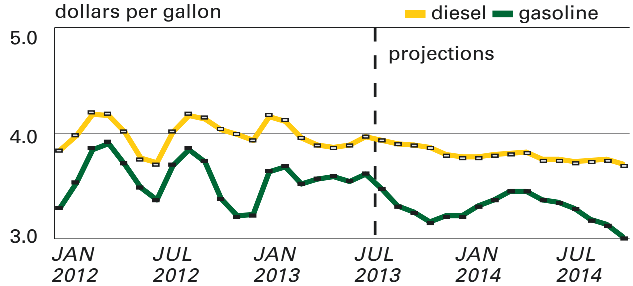
Workers' compensation and liability coverage are always on their radars.

Ask Chris Casselberry, owner of GreenSeasons, a $7 million, full-service landscape firm based in Baton Rouge, La. Despite just a slight increase in workers' comp and stable liability rates, his insurance agent cautioned him both will go up next year.

As for health insurance, the Affordable Care Act (ACA) has small and medium-sized business owners scratching their heads. In July, the Obama

FUEL PRICES REMAIN STEADY

U.S. average diesel and regular grade gasoline prices—retail price, including taxes



SOURCE: ENERGY INFORMATION ADMINISTRATION'S SHORT-TERM ENERGY OUTLOOK

AT A GLANCE: COSTS

+ POSITIVE

Fuel prices have been stable and projections show they'll remain so.

Uncertainty over labor and health insurance costs are a concern.

– NEGATIVE

administration delayed the "employer mandate" provision, which requires employers with 50 or more full-time equivalent employees to provide health insurance for their workers or pay a $2,000 penalty per employee. Implementation of this provision has been put off from 2014 until 2015, which buys employers time in the short term, but doesn't take away any uncertainty.

Andrew Ziehler, owner of Ziehler Lawn & Tree Care in Centerville, Ohio, has 16 employees and is struggling with anticipated health insurance costs.

"What we're facing here in 2014 is going to be an outrageous amount of increase in costs," he says. His company may see 60 percent to 80 percent increases for its group health care plan premiums. For that reason, he's toying with the idea of dropping the plan so his employees can go to the state health insurance exchanges, mandated by the ACA, and buy insurance there more affordably. Enrollment for these exchanges begins Oct. 1. "It will raise big questions as to what we provide as health care benefits through our business in the next few years," Ziehler says of the ACA.

On the other hand, Dahlkemper has seen his health insurance premiums go down some, which he credits to the ACA. Even so, he's looking forward to his state exchange. He expects it will allow some of his employees to get better rates, which could lessen the burden on the business.

The bottom line, Chepurny says, is you have to shop the insurance every year. "We're constantly staying on top of that," he says. "At the end of the day, somebody has to pay for the costs and we try to recoup those through our work and production by raising our prices." LM

Additional reporting by **Sarah Pfledderer.**

GREEN INDUSTRY PURCHASING HABITS

Equipment type	% purchased in last 12 months	% will purchase in next 12 months
Mowers	57%	45%
Construction equipment & attachments	20%	22%
Sprayers/spreaders	46%	28%
Aerators	17%	17%
Handheld equipment	74%	52%
Truck & trailers	54%	54%
Alternative fuel equipment or vehicles	7%	6%
Trees/shrubs	69%	61%
Annuals/perennials	63%	60%
Turf seed/sod	67%	62%
Hardscape products	57%	53%
Water feature supplies	32%	35%
Landscape lighting	44%	48%
Irrigation systems and products	46%	42%
Herbicides	62%	57%
Insecticides	50%	47%
Fungicides	43%	40%
Fertilizers & fertilizer/pesticide combos	66%	58%
Plant growth regulators	18%	17%
Tree care chemicals	23%	24%
Snow/ice control equipment and products	34%	33%
Computers & business/design software	48%	37%
Mobile phones/handheld device	57%	35%
GPS systems/software	23%	16%
Consulting services	19%	18%
Subcontracted services	45%	39%

Q&A

Last Question

We asked Green Industry pros what's on their minds right now.

Chris Casselberry
Owner
GreenSeasons
Baton Rouge, La.
2013 projected revenue: $7.1 million
Service mix: 55% maintenance; 35% irrigation/landscape installation; 10 percent pest/termite control

Top of mind: *The H-2B seasonal guest-worker visa program. GreenSeasons has used the program for nine years but may have to drop it next year do to government-imposed increases in hourly wages. "We haven't decided, but we might downsize. You can't cut grass with nobody running the trucks."*

Dan Dahlkemper
Owner
Dahlkemper Landscape Architects & Contractors
Erie, Pa.
2013 projected revenue: $3.5 million
Service mix: 75% design/build; 25% maintenance

Top of mind: *HGTV, because it educates people about the landscape industry and calls their attention to creative options for their outdoor spaces. "HGTV has been a good friend to the industry."*

Bill Banford
President
The Sharper Cut
Upper Marlboro, Md.
2013 projected revenue: $2 million
Service mix: 95% design/build; 5% irrigation

Top of mind: *He realizes his company is the "last to be paid," and that can be stressful.*

Katie Parkhurst
Operations manager
Grant & Power Landscaping
West Chicago, Ill.
2013 projected revenue: $7.8 million
Service mix: 53% design/build; 21% snow; 26% maintenance

Top of mind: *Whether workers will show up to work and getting crews moving by 6 a.m. "My personal goal is to have every crew out of my yard in a half hour. That's a lot of coordination. Trying to not get burned out is key."*

Andrew Ziehler
Owner
Ziehler Lawn & Tree Care
Centerville, Ohio
2013 projected revenue: $1.2 million
Service mix: 65% lawn care; 35% maintenance

Top of mind: *"I think about how I can inspire our people to provide amazing customer service and great results for our customers every day and, at the same time, attract and retain a high-quality staff."*

Todd Pugh
CEO
Todd's Enviroscapes
Louisville, Ohio
2013 projected revenue: $11.5 million
Service mix: 60% maintenance; 25% design/build; 15% snow

Top of mind: *"I've been blessed that I don't let things bother me or get stressed too much. But in the last couple years, I've put more pressure on myself to grow as a leader. How do I make myself better for tomorrow so I can lead the company?"*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driveway and it takes an extra 10 seconds to walk the additional distance, that's 600 seconds. Once each worker makes a round trip, covering the additional 10 seconds walking back, double that to 1,200 seconds or 20 minutes. If you're paying them $15 an hour, you pay them $5 each or one man-hour unnecessarily. But that's not really what it costs. If your billing rate for each man is $50 an hour, that 20 minutes cost $16.60 per man or $50. If this is repeated at each job once a week for 26 weeks, that's $1,300 dollars down the drain. Now let's say you have five crews operating the same way. That's $6,500 dollars. That seemingly insignificant 10 seconds looks pretty significant now, doesn't it?

How far into this story were you before you asked, "Why are they carrying five at a time instead of putting 20 in a wheelbarrow?" That would be an alternative to carrying them, but how many times have you seen it done the hard

WHEN YOU SEE HOW THE NUMBERS ADD UP AND CONSIDER HOW MANY OTHER ASPECTS OF YOUR DAILY OPERATION MAY BE DONE INEFFICIENTLY DAY AFTER DAY, **TRAINING BECOMES IMPERATIVE, NOT OPTIONAL.**

way because that's the way it's always been done? Or maybe it was because of a lack of preparation—they didn't have a wheelbarrow or they had one but the tire was flat. This is an example of just one small task among many that make up your daily operations. When you see how the numbers add up and consider how many other aspects of your daily operation may be done inefficiently day after day, training becomes imperative, not optional.

Fortunately, the investment doesn't need to be as much as you may think. You'll want to show your crew leaders best practices for some specific tasks, but you'll never cover every situation in your operations. It has to be a mindset. Your crew leaders need to watch each situation and ask if there's a better way to do something. It's the work-smart-not-hard mentality. Best practices will set precedents, and your crew will see processes differently. Inefficiency isn't difficult to spot if you're looking for it.

To that end, the ROI for efficiency training may be more significant than you think. LM

Hessong, a coach and consultant with Pro-Motion Consulting, can be reached at dave@mypmcteam.com.

ILLUSTRATION: ISTOCK INTERNATIONAL INC.

Q: HOW MANY SUPPORT STAFF DO I NEED?

BY **KEN THOMAS**

A: I'm continually surprised and amazed by the lack of continuity in the amount of support staff per dollars of revenue among landscape business owners. It ranges from two people per $5 million to one person per $1 million. Notwithstanding the differences between design/build and maintenance, it seems there should be a standard correlation between support staff and revenue. So what's the right number, and why is it no matter how many people are in the office, they still can't seem to finish all the work?

First, let's define support staff. Anyone who's not on the sales and production staff is in a support role. The role can be broken down into a couple of key areas: accounting/HR/finance (office administration) and sales and production (production administration). While both are support roles, they have different focuses.

In many small businesses, the responsibilities of these support areas are hazy. After all, these two roles are generally performed by one person early on so it's easy to brand anyone and everyone who works in the office in a support role as administrative, even as the business grows and evolves. This melding of support roles eventually can lead to an enormous amount of blurred accountability and disconnected tasks that become almost impossible to manage efficiently.

Owners and managers spend a lot of time developing sales and production staff so these teams can be effective and efficient. But we don't spend as much time focusing on our office or support staff. Like any other hiring decisions, the hiring of office and support staff should be related to company size and number of tasks. On the finance support side, staff size is related closely to the number of transactions and employees. On the production/sales support side, it's tied to the volume of calls and jobs or number of customers.

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ILLUSTRATION: ISTOCK INTERNATIONAL INC.

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- Payroll as a % of revenue: A good reality check.
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- EBITDA: Does this really matter?
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Thursday, December 19 @ 11am Eastern

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REVIEW AND ANALYZE

At some point in a company's growth, it's imperative for leadership to separate financial functions and production/sales support functions. One approach for unraveling this puzzle is to review the role of your support staff and to do a task/time analysis of all work being completed. This exercise will reveal exactly what each staffer is doing and how much time they're spending on each task. Task/time analysis comprises listing each task and estimating the time required to complete it. For example, payroll may take four hours each week. If there are 30 people involved, payroll processing takes about eight minutes per person per week. Knowing this will help us understand what it will take if there are 40 people and what other responsibilities the payroll person has time for. Doing this analysis may require timing certain activities; it will typically reveal a combination of inefficiencies and opportunities.

THIS MELDING OF SUPPORT ROLES EVENTUALLY CAN LEAD TO AN ENORMOUS AMOUNT OF **BLURRED ACCOUNTABILITY AND DISCONNECTED TASKS** THAT BECOME ALMOST IMPOSSIBLE TO MANAGE EFFICIENTLY.

Once these have been identified, list exactly what all the key functions are: invoicing, payables, payroll, new job setup, etc. Next, map the way you're processing these key functions. Mapping means drawing a chart of how the process takes place, who does what and how. Mapping existing process flow is an effective way to identify points of waste and opportunities for improvement. Begin eliminating waste and creating efficiencies by remapping the functions. Eliminate as many connection points and tasks as possible. Often, the current owners of the processes struggle to see the redundant or inefficient steps in it. A nonbiased but knowledgeable third party may be needed to facilitate the process and encourage people to let go of certain tasks because it's always been done that way or because they feel a threat or loss of power when responsibilities are reorganized. The key is to seek the most efficient flow for every process and identify a way to make processes measurable.

Planning pointer

Like any other hiring decisions, the hiring of office and support staff should be related to company size and number of tasks. On the finance support side, staff size is related closely to the number of transactions and employees. On the production/sales support side, it's tied to the volume of calls and jobs or number of customers.

DOCUMENT, TRAIN AND MONITOR

Once processes have been remapped, they need to be documented, trained and monitored. The benefits of efficient well-documented processes are increased efficiency and capacity, increased accuracy and ease of onboarding and training of new employees. Once you've redesigned and documented your key processes, it's easier to manage, hold accountable and right-size the support team. You also can assess the abilities of your people more easily to determine if you have the right person in the right seat. Once you have a baseline for how long each task should take, you can set staffing levels more realistically.

At certain growth points, it becomes important to increase financial oversight and recognize and separate the administrative responsibilities. This is accomplished by establishing the accounting controller position and the contract administrator position.

The controller is a higher-level accounting and finance executive who can manage all accounting and finance responsibilities and staff, as well as perform higher-level financial analysis, budgeting, forecasting and cash-flow management.

The contract administrator position is key to breaking off many of the administrative tasks associated with production away from the accounting and finance area. The contract administrator typically reports to the operations manager (not the controller) and acts a bridge between operations and finance. His role is to support operations and facilitate information flow to and from accounting. If there are multiple divisions (e.g., maintenance and construction) there may be a need for a contract administrator in each division, based on the size of each division.

Establishing these key positions along with the development of clear processes will help structure and simplify your office, making it more manageable, measurable and accountable, which will allow you to do more with less.

So how many support staff are required? While this varies by business type, size and market area, as a company reaches maturity, a reasonable average is one staffer for every $1.7 million to $2.3 million. LM

Thomas is principal of Atlanta-based Envisor Consulting, which provides professional business and landscape consulting services. Reach him at 404-987-2499.

PHOTO: ISTOCK INTERNATIONAL INC.

Q: SHOULD I CONSIDER OPEN-BOOK MANAGEMENT?

BY **JENNIFER LEMCKE**

A: An open-book management style that includes employees from every aspect of a business can improve its scope and take in the big picture. Most importantly, planning allows employees to develop a deep understanding and appreciation of the overall business.

Weed Man's business plan, a blueprint for continued success, covers the company description and mission, details about the marketplace, sales and marketing data, business operations information and extensive budgeting. Because of the amount of thought that goes into creating such a detailed document, it's important for brainstorming to include a diverse group of people to develop a sustainable, well-researched plan.

Ownership can't be everywhere at once, which is why businesses strive to hire effective managers in the first place. It's essential to rely on their expertise to help us make long-term and short-term decisions. Not to mention having the entire team on the same page from the get-go saves time, effort and money in the long run.

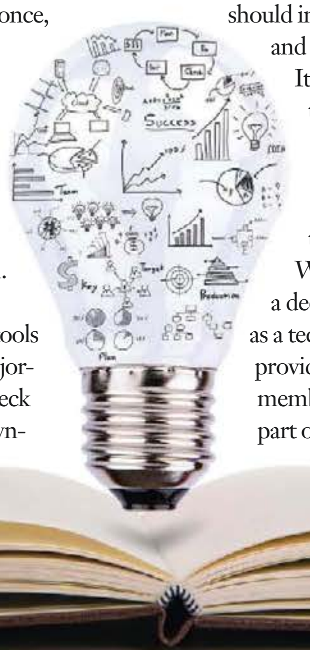
Creating a solid, credible business plan is easier when you have the right tools and people. Collaboration with the majority of staff promotes an all-hands-on-deck planning process. The more insight owners and managers have into a given business aspect, the more accurate forecasting is likely to be. In this way, the business-planning session is more valuable when you have an open-book style because the input is driven from knowledge rather than gut feelings.

This is particularly critical for a zero-based budgeting model, which forces managers to budget from scratch each year, regardless of whether the budget is higher or lower than the previous one. All managers come together to thoroughly analyze all business facets and evaluate and justify every expenditure.

HOW IT WORKS

The business-planning process, which usually takes place in the fourth quarter for the following year, should involve the entire management team and owner building the plan collaboratively. It should be at a prearranged time with thoughtful discussion and consideration given to your business results and goals for the following year. The meetings may include the administrative, technical, sales and general managers.

When field experience is required to make a decision, bring in someone special, such as a technical supervisor or field supervisor, to provide direct knowledge of the topic. All staff members with accountability become an active part of the decision-making process.



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