

The Results of Our Brainstorming

06/26/06

Mid June, we held a forum, in Thornwood, NY, bringing together business owners who were for a morning of networking, brainstorming, idea sharing, and a presentation on, "Buying Your Future". The event was hosted by Axiom Software. Everyone agreed that their office park, at 400 Columbus Avenue, is a gem.

Like most things that we do, the focus was on providing some education, and working with ideas in order to get to the next level. While we usually work one-on-one, this forum was an opportunity to bring together like-minded and like-experienced owners, where they could make connections for the potential to do business together in the future, share common experiences, and examine common problems from a wide field of know-how. One of the most interesting sessions, for me, was the brainstorming section of the program. We asked participants, all of who have dedicated themselves to working through a rigorous business development program, to work with each other to develop ideas on 8 key issues. As always, I am impressed by the skill, focus, commitment and drive of business owners. They continue to teach me, as much as I teach them.

Here are some of the shared experience of the group, all experienced business owners committed to the growth and development of their companies,

as they worked on addressing several questions posed by the group. Hope some of this insight will be helpful to you, as you work to grow your business.

1. How do I effectively manage a sales person?
 - Set metrics – calls made, brochures sent out, meetings set up
 - Give them the tools
 - CRM system you're both comfortable with
 - You continue to work with their CRM information, monitor
 - Brochure, website, email
 - Recognize that tools are secondary to making the calls and having skill
 - Give them the proper sales training and make sure they stick with it
 - Incentive programs – commissions and gifts
 - Tie incentives to profit so you're not giving away the store – have an eye on the bottom line
 - Competition among sales people and teams
 - For some people time off may be an invaluable reward
 - Gifts as compensation are for customers as well as sales people
 - Gifts can be an important and different reward – can form a bond, such as taking the afternoon to golf or ride go-carts

- Incentives are important as a form of positive reinforcement and recognition
 - Keep people informed on the latest technologies
 - Combine sales people and customers through seminars – create events that make it easier for sales people to do their jobs
2. How do I balance a sales person's salary vs. commission
 - Navigating change with sales people who have been around you for awhile can be a challenge; start new sales people off right, if changing things with longer term sales people, stick to your guns and see it through
 - Have to teach people that you're generating leads for them – that has a cost that makes their job easier, for which you expect to get compensated through reduced commission
 - Get away from commission for sales, shift to a bonus if the customer is happy – incentive for good customer service which you measure
 - Combine jobs – sales, estimating and project management – so that people have more responsibility for, and control over, what they produce
 - Pay a fair salary and know what a person should produce based on industry standards;

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know how that matches with incentives you plan to pay

- Never negotiate in fear
- Approve incentives through the management chain and focus on hitting or exceeding gross profit as a payout opportunity
- Hold the VP of sales and senior management accountable for approvals and exceptions; if they create an exception, don't penalize the sales person for that
- Have measurable criteria
- Have enough sales people that you can afford to negotiate to get what you want
- Decide on what's fair for both the company and the sales people
- Keep it very simple – specific tasks, specific reward, easy to measure, report on and pay, tied to actions that drive your business
- Develop a 4-5 point measurable system, with independent evaluation and meeting of the minds, then comes the payout

3. What is a controller?

- Controller manages cash flow, interprets and acts as an advisor and hopefully has, or can build, relationships with financial institutions
- Controller is more proactive than a bookkeeper
- Accounting background, BS / BA in accounting, or has taken accounting courses, possible CPA, been controller

before, may have worked as a staff accountant

- Controller's salary is cheap, in comparison to what they can save the business
- If they are good, they take ownership, think like it's their business
- Depending on your business, you probably want someone who has experience with inventory systems – managing the goods and the computer systems
- A good controller will take control, and is willing to reorganize things to make them work better
- Focus on job cost, job progress and profit, budget vs. estimate, identifying warning signs early enough to prevent expensive mistakes
- Controller can help manage sales payout – keep it honest
- Controller should manage and reduce collections – with good and bad customers – determine one or the other and handle it accordingly
- Able to tell the sales person, go get the check

4. At what point do I hire a controller?

- Hire one when you can afford one, when you can't afford not to have one
- When you don't have a good handle on cash, when you need to know more about what's going on
- When you can't control it all yourself

- When you need cost accounting – that's when you make your money
- If the numbers aren't right, you only have a feel for what's going on
- Good controller frees up the owner to do other things
- When you need help figuring out where to pay attention and attending to things you don't have time to do
- Ask your accounting firm what they can do – as an interim step – may be able to look at your books online and be the bridge from bookkeeper to controller

5. How do I find good people?

- Steal them from another firm
- Work with them, grow them internally
- Put the word out to employees and ask for recommendations
- Go through schools – they'll do the recruiting for you
- Constantly keep meeting people, keep their resumes on hand
- Hire learners, honest people who are teachable
- If your company gains hiring experience, your company can infuse new outside ideas, cross pollinate, as a second benefit
- It's a little bit of gamble, don't expect to get it right every time
- Don't cross the boundary on expectations that you owe them, it's a 2 way street

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- Some people could succeed better in another environment – and you can't hold them back or let them hold you back
 - Look at objective performance
 - Can see the goodness in them, and still help them go
 - Once you get the, "uh oh" feeling, they never work out – the sooner you let them go, the better
6. How do I keep good people, and when do I know it's time to let them go?
- Important to be honest and open with people, let them know how you feel – good and bad
 - If part of the skill set isn't what you expected, tell the employee it has to be fixed and come to an agreement on how to move forward
 - Keep people by finding out their needs – challenges, pay, working environment, interest, flexibility
 - They want performance reviews – the feedback is important to them
 - Use performance reviews to plan where they're going and to help them get there
 - Performance reviews escalate performance
 - Delegate out performance reviews, use them to get staff involved
 - Make sure targets and milestones are accomplished
 - No excuses – no: "I'm overwhelmed", no: "what do you want me to do next"; ask them to think and act for themselves, demand that they do so, or ask them to leave
7. What are strategies and incentives for keeping good employees if I'm considering selling my business?
- Profit sharing – give them a stake in the future business
 - Sharing the vision – what benefits a sale will have for them, what additional opportunities they will have if the business becomes part of a larger organization
 - Build a sense of ownership – ask them to take part in building the business' future
 - Incent key people on a P&L basis
 - Instill an ownership culture – we are all individually and collectively responsible and accountable for our actions and the results
 - Know that most people choose security over freedom, even though people like you, business owners, don't; use that knowledge to appeal to their desire for the security that will result from a sale
 - If they're good at what they do, there will probably be a place for them in the new company
8. How do I get people as excited about my business as I am?
- Let them look at the P&L – within limits; develop a P&L on a unit or division basis
 - Develop an incentive statement for internal purposes that everyone can use to manage and track contributions
 - Involve Project Managers when you bid a job and set fees, so they understand what you're doing, the decisions you're making
 - Pay an incentive for monthly billings and profit – give people an incentive to hit it
 - People who are educated properly understand you, as the owner and investor, are entitled to profit and that's a sign of a good business
 - Good employees recognize that "if I can contribute to profit, I can make a lot of money, too"; some of the profit goes to them, some to the owner, and some to the business to invest in future growth
 - Educate your people so they understand what the numbers mean
 - Talk about the quality of the work, pride, taking time to do the job correctly, eliminating errors and mistakes
 - Recognize that not everyone wants to be an owner, and that's okay, they can still take ownership of the work they do and get excited about that

Hope you found some gems you can use. My thanks to the following individuals and companies for their contributions: Jeff Yagoda of Axiom Software, Keith Bell of Bell Heating and Air



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Conditioning, Dom Calgi of Calgi Construction, Geoff Geils of Flowery Beauty Products, Peter Gordon of Inc 3 and Kay Multi Media, Janet Duggan of Janet Duggan Associates, Joseph Malcarne of Malcarne Contracting, Fenton Soliz of Mortgage Experts, Flip Waylonis of Northeast Mesa, Ed Winiarski of Optimum Applied Systems. And a special thanks to Larry Reinharz of The Woodbridge Group, for a very informational presentation on what it takes to buy or sell a business – important information for every business owner.

Hope you are all having a great summer! Looking for a good book? Try *The 7 Irrefutable Rules of Small Business Growth* by Steven Little.

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