

By Carl Davidson

About the Author

Carl Davidson is president of Sales & Management Solutions Inc. a company that specializes in training, recruiting and consulting for the water equipment industry. For more than 20 years, 4,000 companies in seven countries have used his services to increase sales and profits. To comment on this article, or for more information, you can reach Carl at davidson@carldavidson.com or 800-941-0068. For more information, visit www.carldavidson.com.

The Top 10 Things Messing Up Your Business

After many years of working with dealers in our industry, I have noticed that the things many of us do wrong fall into a few specific categories. I have listed the top 10 things we do to mess up our business. Take a look and see how many of them are hurting your business. Improving your business starts with seeing the problem and making a commitment to change these top 10—one at a time.

1 No Written Employment Agreements

Many dealers hire employees without a written agreement. This is very bad from two perspectives. First, payroll is your largest expense and should be well documented. You should lay out not just what you will pay but also exactly what they agree to do and must do to keep their job. This is where you put things such as minimum standards and how many demos and sales they must accomplish to keep their job. No written contract means you are hiring a very expensive person without telling them what you expect them to do. If you have no written agreement, each employee will do what they feel is right, and that can mean priorities far from what you expect.

No Minimum Standards

Great managers have written goals and standards that their team must adhere to in order to keep their jobs. For example, I suggest that salespeople be required to do 10 demos per week and close one in three. You may wish to have standards for your office staff such as, "All bank accounts must be reconciled within 15 days of month end with a written report." Every position at your company should have written standards that your team must meet. Failure to do this means each member of your staff sets his own standards and his goals are rarely yours.

Hire 1099 Independent Contractors

It is a very bad move to hire your staff as 1099 contractors for business and legal reasons. First, the legal reasons. If you read the IRS regulations, you will see that there is no way your staff qualifies to be 1099 contractors. If the IRS rules that they are not, you can be liable for back taxes, penalties and fines. (Call me at 800-941-0068 if you would like a simple outline of the IRS regulations at no charge.)

In addition, there are two business reasons not to hire your staff as

contractors. First, new employees are looking for a career. A company they can become a part of. By hiring them as 1099 contractors, you are telling them they are not a part of the family. Individuals attracted to this kind of program tend to be those who do not want to put down roots and who might not pay their taxes. After

Do the functions that make

a business profitable.

Make sure you and your staff are not too busy to

all, there is no benefit to the recipient other than a higher paycheck today. Second, contractors feel more independent. They will not follow your instructions as much as those who are employees who must meet the company standards in order to keep their job. Just saying that they must work to your standards to a contractor makes them an employee according to the IRS.

Hiring Family and Friends

Many businesses (especially in the early stages) hire people they know. This gives them a "family feeling"—people they can trust. The fact is you should never hire someone you would feel uncomfortable disciplining or firing for failure to meet your standards. Your venture is a business and you may be better off with strangers who come on strictly for business. As to trust, your company should be set up with business checks and balances that make it impossible or at least very difficult for anyone to take advantage of you. Good fences make good neighbors, and a good system of

checks and internal control mean you can hire anyone without fear. Statistics show family and friends are more likely to take advantage of the company because often there is more baggage from the family relationship than from one that is strictly business. Finally, realize that if you hire someone you live with, you will be at work 24 hours a day and you will always be talking about business. Also, if you take a vacation, you will need your key staff to work hard in your absence. If they are with you on holidays, who is watching the store? Before you hire family and friends, picture Thanksgiving dinner the week after you fire them. If it's too scary, hire a stranger. After you fire a stranger, he goes away.

Filling In for Staff

If a junior programmer calls in sick at Microsoft, do you think Bill Gates cancels his appointments for the day and fills in for them? Of course not, but many owners of water equipment companies will cancel their appointments and fill in for the salt delivery man, water delivery man or technician who calls in sick. Doing that is a disaster for you and your company. Make sure you are doing the job you are paid for—running the company. Nothing will make more for your company than recruiting new staff, selling a customer or designing a great ad. You just can't do all those things while you are delivering salt and water or digging holes. Picture yourself as the head of a successful company. Before taking on any job, ask yourself what the head of General Motors would do.


Poor Priority Choices

Without discipline, all of us end up doing what we like rather than what we should be doing. That's why so many owners and managers will spend three days picking the new carpet for the office rather than delegating it and making money for the company. The color of the carpet isn't going to pay the rent. If you spend three days making sure you saved \$100 when buying a truck, you could have sold three systems and made \$6,000 for your company. Make sure your

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Cat Pumps, Minneapolis, MN

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Gems Sensors, Plainville, CT

priorities all lead toward your goal of making a profit. Remember that if you fail to make a profit, the color of your carpet will not matter.

Thinking Big, Not Thinking Practically

Many owners spend time hoping for a new technology or service that will generate all the leads he can use, instead of getting the staff on the phone or knocking on doors. No matter how little your advertising budget, you can get leads and sell equipment if you concentrate on getting your staff talking to people about better water instead of dreaming of schemes that will automatically get the job done on a big scale. Everyone can sell a system today if we just get in front of someone—anyone—and start talking.

Low Expectations

Low expectations are hurting many businesses in our industry. With our products and services, we should all be millionaires. There has rarely been a business with the opportunity we have. Our studies of dealers around the country indicate that you should be selling roughly one dollar per month for every person in your market area. That means that if

you have 500,000 people in your territory, we believe you should be doing about \$500,000 per month in equipment sales. Don't let low expectations rob you of the profits you deserve. Work out an ambitious plan and stick to it.

Flying By the Seat of Your Pants

It is never a good idea to make business decisions based on feelings. Business should be based on good old black and white numbers. Which products and services bring in the most profit? Which advertising works best for you? Which employees are the most profitable? What areas and types of families make up your best customers? You should gather accurate data and use it to make these decisions. Failure to do this means flying by the seat of your pants. Worst yet, many dealers fly by the seat of someone else's pants. They accept data from salespeople, manufacturers and others without testing it against the actual numbers at their store. Remember that you cannot manage what you cannot measure. You cannot make good decisions without spending the time to collect and analyze good data.

Too Busy to Do Business

This is an expression used by my friend Tom Cooksey. It's a great way to explain what is happening at many stores. Often we go to stores where the staff is so busy talking to each other that they treat the customer like an interruption. Does this happen at your store? I was working with a client who has territories for his salespeople. If a customer calls in, they make the customer wait until the salesperson who works that territory has time to call back. That loses business. Customers come first. I have called three companies this week to buy something and was never called back at all! I called another store and was told everyone was in a meeting and were too busy to sell me anything.

Worse yet, many owners have no time to be the owner and do entrepreneurial tasks that will make the business profitable. I often call dealers only to be told they are "at the bank" or "getting a hair cut." These same owners tell me they have no time to recruit, review their books, train or plan. These are the functions that make a business profitable, so make sure you and your staff are not too busy to do business.

These are the top 10. Take a minute to review them, see how many you are doing and then take steps to change what you feel will help you make more.

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