

## **Leading to the Next Level**

By Bob Chabot, Contributing Editor

Is your shop making enough, or you working poor? As you grow your business while in your prime working years, are you establishing a business net worth that can help fund a retirement lifestyle commensurate with the sweat equity you've invested over time?



In presenting the Leading to the Next Level seminar at the 2007 Congress of Automotive Repair and Service (CARS), Cecil Bullard, owner of Intelligent Business Tools demonstrated that building a lifestyle, while working and afterwards, boils down to leadership and staying committed to using all the tools, including good management, to get there.

"The average shop is only realizing a 3 to 4 percent net operating profit," Bullard explained. "This is despite the typical shop owner working 12 plus hours a day, six or seven days a week." He continued, "Our focus in this industry has been in the wrong place. We've got to learn to run our business like a business, understand the numbers we have to achieve, and do whatever it takes to meet them."

Bullard helped participants identify the differences between management and leadership. Bullard identified the five stages of an automotive maintenance business. In addition, he facilitated attendees evaluating their own business, to not only see at what stage they currently are at, but also learn what is necessary to take their business to the next level.

### **Know what you're trading your life for**

"Taking your shop to the next level requires a commitment to leadership," said Bullard. "To get to where you want to be, you have to know what your business model is, whether it's the vehicle that will get you there safely, and on time. Leadership is knowing where you want to be, having the vision to know how to get there, and being able to define, share and inspire those around you to move in that direction. The more they understand the picture of where you want to be, the more they will believe in your vision.

First and foremost, Bullard said, shop owners need to know where they want to be. "Know your dream," he noted. Like a journey, once a shop owner knows where he or she wants to be - the endpoint - then one has to know their starting point - where they are today. This entails an honest assessment of key process indicators such as technician productivity, car count, average repair order, what profit is being made, and more."

### **Are you driving the right vehicle?**

After attendees identified which business stage their shops were at, Bullard explained that he saw three basic automotive service business models that typified the various levels within the industry, which he called the Roller Coaster, Discount and Destination. The self-diagnosis enabled shop owners to determine which model(s) their businesses were operating in.

Once identified, shop owners were challenged to determine if the model they were operating was driving them to where they wanted to be. If not, a shop needed to change models, embrace the characteristics of that business model, and then begin to adopt policies and procedures, milestones for key process indicators and review points to assess progress made or needed as the new model was implemented.

The primary characteristics of each of the three models are listed in the diagram below >

CHARACTERISTIC	ROLLER COASTER	DISCOUNT	DESTINATION
Business plan	Probably not	Yes, to be successful	Yes
Vertical integration	No	Yes, to be successful	Yes
Business type	Repair based	Maintenance based	Maintenance based
Owner's role	Works in business	Works in & out business	Works out business
Management style	Fix for all	Micro	Macro
Focus	Car count	Total tasks	Relationships & KPIs
Operate work hours	Extensive	6 days/72 hours per	Time for family
Car count / task	High	Very high	Average 2.5-10
Average repair order	Incremental	Low	2.5-3 items
Manage KPIs	Only sales	Full 1-3	The store
Gross margin	Low, < 3%	Moderate, 4-6%	Good, 10%
Net operating profit	Low, < 5%	Moderate, 6-11%	Good, > 12%

### Do your technicians want to make money?

Bullard led attendees through an extensive business self-diagnosis that identified for each attendee the business model that their shop was using. "Knowing where one's shop is and where one wants it to be establishes the gap that needs to be closed," noted Bullard. To move to the next level, shop owners could readily see what characteristics that next level had, and then plan how to transition. Bullard pointed out that making too many changes can be overwhelming, so shops are better off taking on a few goals, and then develop a written plan to implement them, with milestones that needed to be reached and reviewed.

One example is improving technician productivity. "Do your technicians want to make money?" Bullard asked. While intuitively we would say yes, the problem is we often prevent technicians from doing that because of poor systems, policies and procedures - written and unwritten - that aren't designed to let them do that, and by extension, grow net profit. "The challenge for shop owners is: Are you letting them make money or standing in their way?"

Technician productivity and efficiency are two different things, Bullard stated. Productivity is simply the number of hours billed by a technician as a percentage of a workday. For instance, for a technician who works an 8-hour day and bills 6 hours, his productivity is 75 percent. Efficiency is an entirely different measure. It is simply the completing a process without wasting time.

"The key to better efficiency," Bullard stressed, "is to acknowledge where we are blocking our employees." Knowing that, as leaders, he added that we must own those problems and develop policies and procedures to overcome them and take everyone to the next level. For example, if a shop owner micro manages employees too much, not only will a lot of time be wasted in the micro managing, some will learn to do only what they are told while the rest, including high performance orientated technicians, will just leave. Either way, in this case, productivity took a step backwards.

### Impact your exit strategy

For shop owners nearing retirement or for those looking to exit the business, taking their shop to the next level can have a huge impact on either goal. "My father owned his shop, but never changed the nature of his business as technology changed and vehicles became more complex and durable," Bullard shared.

"Ten years before he had to retire, the business was worth over \$1 million. However, because he didn't change, embrace training and keep his business moving forwards, when he had to retire for health reasons, the business was only worth \$350,000. Unfortunately, he isn't the only shop owner using that business model today."

Bullard emphasized that any shop today can move to a higher level by choosing to do so - and maintaining the commitment to making the journey. "Using the systems and tools that our company provides, any shop fully dedicated to moving to a much higher level can do so in 1.5 to 2 years.

Continuing this process for three more years - to establish three years of solid financial results - builds a higher valuation and a more attractive shop for prospective buyers." The key, Bullard said, is changing the current business model that a shop is using to one that will be the vehicle that will drive the business to where a shop owner wants it to be. "Simply put, shops don't have to be subject to fate."

(Source: Intelligent Business Tools)  
[www.ibtools.com](http://www.ibtools.com)