

Building your Management Team & Productivity Teams

We build two groups or teams in the business: A Management Team and Productivity Work teams.

This is show-time, we go round robin, and each team member shows his achievements and progress in moving the business to the next level. Management meetings are sit-down, with an agenda, owner hands out assignments to the team: get cash flow input for net week, by Tue, install Quickbooks, do a customer demand log... etc. Each team member gets a few minutes to show what he did since last time, then owner chime in and sets the next goal. Get a meeting place with a whiteboard, lots of bulletin boards. Each member has a permanent display which he uses to show his stuff, and it stays up there and is updated.

The Productivity Work-teams are the same, except they are done standing up. It makes more sense to have it by crew or foreman, and to have each foreman show his stuff, and put it on the board. Keep these meetings shorter, 5-10 min.

In both meetings owner does NOT talk except for questions and instructions, these meetings are for the workers to show him and their peers their stuff. Discussions, work meetings can be done one-on-one later (say: "great idea, get back to me on that later").

The Fine Print

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Metrics

Metrics run the whole system. If you choose the right thing to measure for each job, dept, etc, and coach the guy to track it, and create a form for it, and a spreadsheet to store the history and report it – You have the content for these meetings, and also the key to running the business. All you have to do now is track and display the results so employees can see and improve it. The trick is choosing the metric that is key to that function, and if that is improved, all else will follow.

In Retail Operations For the Clerk, or Salesperson, a useful metric is Extras per Customer.

Total Customer Count per day/shift: example 57 customers per day.

Total Up-sells

(additional purchases beyond the initial item the customer asked for such as promotions, add-ons, complementary products etc.): example: 13 Add ons, per day.

$76 \text{ Up-Sells} / 112 \text{ Customer Transactions} = 68\% \text{ Up-sell percentage.}$

This can also be done on a dollar basis, as in Total Upsell Dollars divided by number of Customer transactions = Average Upsell dollars per Customer transaction.

Restaurant Productivity Metrics

In a restaurant, and in food operation, the metrics that are most often useful are:

For the back of the House – Covers per Man Hours

Total Man Hours of Back of House Labor per day/shift: example 3 people X 5 hours = 15 man hours per day.

Total Covers served per that day/shift: example 105 covers served.

$105 \text{ covers} / 15 \text{ man hours} = 7 \text{ Covers per Man Hour} - \text{The Metric is "Covers Per Man Hour"}$

For the Front of the House, a useful metric is Extras per Man Hour:

Total man hours of Front of the House Wait Staff labor per day/shift: example 5 servers X 7 hours each per day.

Total Extras (deserts and drinks and anything ordered after the initial order): example: 76 deserts and drinks.

$76 \text{ Extras} / 35 \text{ Server Hours} = 2.17 \text{ extras per Server man-hour}$

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Stand-up meetings

1. Every day / week, we have a Stand-up Meeting next to the board. Everyone shows what he has accomplished and puts it up on the board. The owner sits down. This is a 5-10 minute meeting, everyone must attend. It shows everyone where everyone else is at, and shows them the owner is serious. This meeting is a MUST. You can do separate meetings for the Management Team, and for other crews, etc.
2. Before the meeting, go to each participant and work with him so he has something to show, do a spreadsheet for him, a form, help him get something done, type it up for him, prime him for a Recco he can present or to fix a system. This is unbelievably powerful,
3. METRICS are the key. A metric is: Actual Direct labor hours over Estimated Hours to complete a job, or Number of No-Shows per month, or No. of Rejects per week. You choose the KEY Metrics, that if you track them, and improve them, the guy has done his job. Then let the workers and foremen track their own performance, and have the controller or office manager Plug them into an Excel spreadsheet that tracks if for the week, month and year, so they can see the direction it is going. Share the results weekly, post results for team, by descending batting average. Praise the top teams. Tie this in as performance criteria for job descriptions, and for incentives.
4. Guess what, the Management team also has metrics: Controller to reduce Overhead as PCT of sales, Marketing Manager to increase \$ sales as a percent of current sales, and Operations Manager to Increase Gross Margin as a PCT of sales. Let them discuss and review their performance and what they are doing to get it better weekly, and share the numbers as they come out weekly/monthly.
5. Guess what, the metrics for productivity teams and production will tie into the OPS managers goal of Gross Profit, and the same for sales people quotas connecting to the sales increase of the Sales Manager, etc etc.
6. The Metric for the President is to increase the VALUE of the COMPANY (not profit for this year, but long term value). The Management as a team is responsible for the profit, it is a team game that is reflected in the P+L, create a simplified P+L for them to review, if you want to hide the Profit goal, call it O/H and G&A, as a total percentage, any profit above which, can then go towards incentives to the Management team, and to the employees. Have fun and Good Luck !

The Fine Print

Building a Management Team

1. Building a management team and allocating responsibility for P+L line items:
2. There are 3 main functional areas to run a business: Getting Sales (SLS), Producing the Product/Service, operations (OPS) and making sure the machine is producing a profit: the financial function, (FIN).. Since each area requires a different set of tools, and a different mind-set, any business needs people to specialize and become pro's in these areas. We choose who will do each function (the office manager will do FIN (controller), the Head foreman will do OPS, and the Head waiter (or Clerk) will do SLS. In any case the owner heads the team as president. Sometimes the owner can also be SLS (or one of the others, but not two of the others, it does not work well), as usual, it is flexible, but you need to get a team together, at least 3, you need the teamwork to make it work.
3. Next the owner invites the "chosen" into his office, and "Launches" the managers in their new job, maybe give them a title, and ask them to step up to the plate and fix that area of the business.
4. Coach each manager: give him his goals, resources (what he 'owns' in the co.), and what line item in the P&L he is responsible for. Also lay out some of the tools (Cashflow, labor productivity tracking etc.) you will be putting together to help him reach his goals. The goals are as follows
President: increase the VALUE of the company by XX % in 3 years
SLS manager: increase Sales by XX% in 6 months
OPS manager: increase Gross Profit % (by controlling and reducing direct expenses – Labor and Materials and Subs and Inventory).
FIN manager: Reduce Overhead as a % of SLS, (by a modest percentage, 1-4%)
See attached sample FORM – Management Team goals.
5. Now schedule a Management Team Meeting. I would have one every week on a regular basis. This is a sit down meeting, where each manager shows what he has accomplished in his area.

The Fine Print

Building Productivity Work Teams

1. Are just about the same, except that it is key to rank the crews by productivity (if that is the metric, or for servers by \$ Sales per Hr. etc .). By ranking and showing who has the highest batting average we get competition, and energy. You can also show 'the most improved'. If you have several metrics, rank teams for each. Recognize and celebrate 1st, 2nd, 3rd places, most improved, etc. Never criticize, be uplifting and see how we can all improve. Get the No. 1 to coach the lowest performer as a way to get him up there. Later on, you can tie the results into the incentive program and give the workers the feedback what the bonus will be at the current level of performance. You MUST share real-time info with the workers on the performance and ranking of all teams, as well as periodic simplified reports on how the bottom line is doing in regard to their incentives.
2. Guess what, the Management team also has metrics: Controller to reduce Overhead as PCT of sales, Marketing Manager to increase \$ sales as a percent of current sales, and Operations Manager to Increase
3. Gross Margin as a PCT of sales. Let them discuss and review their performance and what they are doing to get it better weekly, and share the numbers as they come out monthly.
4. Guess what, the metrics for productivity teams and production will tie into the OPS managers goal of Gross Profit, and the same for sales people quotas connecting to the sales increase of the Sales Manager, etc etc.
5. The Metric for the President is to increase the VALUE of the COMPANY (not profit for this year, long term value). The Mgmt as a team is responsible for the profit, it is a team game that is reflected in the P+L, create a simplified P+L for them to review, if you want to hide the Profit goal, call it O/H and G&A, as a total percentage, above which can go towards incentives to the Management team, and to the employees. Have fun and Good Luck !

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COSTEFF CONSULTING • THE SMALL BUSINESS OLYMPICS

5451 Crestone Circle • Boulder, CO 80301 • office (303) 502 5288 • home (303) 459 4193 • cell (303) 396 2607
 email • phil.costeff@gmail.com • www.SmallBusinessOlympics.com

Sample Mgmt team form	
Name: Leslie	Title: Controller
OWNS:	The numbers, bank accounts, A/P, A/R, Overhead, metrics,
Mission:	Answer Question: Are we making money? And track numbers
Key Metric: Reduce Overhead as a % of SLS	
Goal: go from HERE	To: <u> 4 </u> mo. GOAL
Overhead of 33% of Sales	Overhead of 30% of Sales
Get Cash flow ready	By Tuesday
Re-align Chart of Accts To reflect direct costs And true gross margin	By Friday

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Key Metrics:	Sample Team Productivity Form
Month of	May 2009

Team	Foreman	Productivity	Percent change
Bravo	Dave	110%	5%
Delta	Hank	90%	-0.1
Epsilon	Pete	86%	-0.03
Charlie	Harry	77%	0.15
X boys	George	64%	0.12
Alpha		52%	-0.03
Total number of teams		6.00	
Company average Productivity		80%	3%

INSTRUCTIONS:

The Controller (or whoever is in charge) takes the total hours of billable work done at the end of each

month for each team, and divides by the total number of timesheet hours

for that team. (Do not add up the total productivity percentages for the 4 weeks, as changes in man hours worked per week will make this inaccurate. Instead compute monthly productivity by adding up all billable hours, adding up all timesheet hours and dividing billable by timesheet hrs to get a productivity percentage).

Then the Controller ranks the teams in descending order of productivity.

Company productivity again, is calculated separately, by adding up all the

Billable hours completed, and the timesheet hours for ALL the teams

(Again, averaging the productivity of the teams will not take into account the different size of the work-teams, and so will not be accurate, we want a WEIGHTED AVERAGE).

This information is posted prominently. The foremen get hard copy.

They also get this info in a monthly foreman's meeting separately,

BEFORE it is posted.

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