

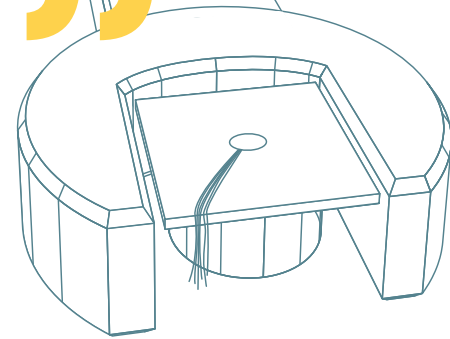


**“Learn to be sincere. Even if you have to fake it.”
– Short’s Quotations (corollary of Murphy’s Law)**



MASTERING MANAGEMENT

Again this month, we present some of the best business management ideas and concepts from consultants, trainers and shop owners. **Feel free to send in your own success stories and tips! See the Brain Trust box for details.**



BUILDING LOYALTY

According to Purdue University’s Center for Customer Driven Quality, nearly 70 percent of the business leaders polled tabbed customer service as the most important factor in building satisfaction and loyalty. Ken Lehman, chairman of Winning Workplaces, says consumers believe businesses don’t pay as much attention to them as they used to.

He says that statistics from the Better Business Bureau back up these claims — consumer complaints against retail stores rose 104 percent in a three-year period.

Lehman stresses that, to be successful, one must have a service culture that begins with how employees are treated. Open and honest communication with employees empowers them to make good decisions and to treat customers right. Do you have the right service culture?

A PROFIT-ORIENTED PROPOSITION

THERE ARE SOME KEY POINTS

service professionals need to know in order to be profitable, according to Bob Barstow, director of retail marketing for Parts Plus. With access to a balance sheet, income statement and cash flow worksheet, any business owner can and should be concentrating on these points to help determine his or her profitability.

1. Quick ratio — taking current assets and subtracting current inventory, then dividing by current liabilities.

2. Average inventory investment period — this number is achieved by taking the current inventory balance and dividing by the average daily cost of goods sold, which you get by taking annual cost of goods sold and dividing by 360.

3. Inventory-to-sales ratio — this compares inventory investment to monthly sales dollars. If your inventory-to-sales ratio is more than 2.5, it could signal potential problems in cash flow when reviewed monthly.

4. Average collection period — Barstow said, “Look at your accounts receivable and divide it by average daily sales, which is how much you sold all year divided by 360.” That number needs to be 30 or less.

5. Accounts receivable-to-sales ratio — Figure out this number monthly and be sure it is less than one.

6. GMROI — this stands for gross margin return on investment and helps determine how much money is returned in gross profit for every \$100 invested in inventory. Barstow suggested owners take a yearly look at gross profit dollars and divide that by inventory dollars. To get a valid return, that number needs to be 135.

7. Payroll — it should never be more than 45 percent of your gross profit and should not include owner equity.

8. Gross profit margin — this should equal 38 percent or higher for the total store. With velocity pricing, some items will have a lower GP and some a higher one.



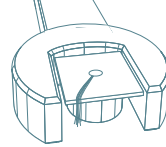
THE BRAIN TRUST JULY 2005

Motor Age thanks the following folks for this month’s contributions:

- 1. PARTS PLUS**, Memphis, TN. (800) 727-8112 or visit www.partsplus.com
- 2. WINNING WORKPLACES**, Evanston, IL. Visit www.winningworkplaces.org
- 3. ALLIANCE TRAINING & CONSULTING INC.**, Overland Park, KS. (877) 385-5515 or visit www.alliancetag.com
- 4. PRISM STRATEGIC INC.**, St. Louis Park, MN. (866) 774-7644 or visit www.prismsstrategic.com
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SCORE, Washington, DC. (800) 634-0245 or visit www.score.org

Have you got a management tip to share? E-mail it to us at motorage@advanstar.com, or fax it to (312) 553-8926.

— Sativa Ross, Contributing Editor



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A BONUS FOR BLUNDERS?

Are your employees fearful of making mistakes? Do they hide errors because they are afraid of being humiliated, embarrassed or, in some cases, fired? Believe it or not, there are companies that actually reward their employees for coming forward with their blunders. According to an article in *Inc. magazine*, a Detroit-based ad agency has a "Mistake of the Month Award," where the staff votes on the best mistake. The winner takes home \$50 and a good chuckle. The agency's CEO Marcie Brogan tells *Inc.*, "Sharing a mistake is just as valuable as sharing a best practice."

But getting employees to feel like they can confess when they do something wrong starts with instilling a culture of trust, says Fran Halford, a sales consultant at Alliance Training & Consulting Inc. in Overland Park, KS. She suggests that, based on Maslow's hierarchy of needs and the human dynamic, "monetary rewards are very short term whereas if you build a culture of trust and respect, you will have greater morale."

Not that Halford thinks offering money as a reward for making a mistake is a bad move, she's just never heard of it in her 30-plus years in management training and consulting. "Sometimes we make things too complicated in management theory," she says with reference to how to build the right company culture. "It comes from the top down in a very simple way."

Just letting employees know that they shouldn't be afraid to make mistakes is a step in the right direction.

"One company said this at every orientation," says Halford, regardless of whether the audience was entry- or director-level staff. "The company executive let himself be seen as less than perfect, and he let it be known that mistakes were used as learning opportunities."

— Sativa Ross, Contributing Editor

GAZING INTO YOUR CRYSTAL BALL

THE IMPORTANCE OF SUITABLE business plans in running a company or organization is indisputable. They provide tactical financial projections and expenses needed to run the business.

But there is additional planning that companies can tackle to help with future success. These long-term or strategic plans are visionary, and they define a business' future development by identifying specific growth initiatives for the company's ultimate physical appearance, size, activities, products, customers and markets.

How we define our own future through strategic thinking, planning and execution is how we create a competitive advantage, notes Elizabeth Holm, president of Prism Strategic Services Inc. in Minnesota.

Prism develops strategic processes for its representative industries, including the automotive industry.

The following are a few suggestions in predicting your business' future growth.

UNDERSTAND YOUR LIMITS

One of the strategies for long-range planning is to realize your business' size and what it can accomplish in a given time period. For example, a sensible outlook is about five years — although that might even be too long.

A safer bet is about two years, according to Ed Doherty, a counselor with SCORE, a national network of entrepreneurs and executives who provide free business counseling to small business owners.

Size also affects the number of initiatives that can be taken on at one time, says Holm. She suggests only taking on a few items at a time.

"It is far better to take on a smaller number of initiatives and leverage them to their maximum advantage than spread limited resources so thin that they cannot make meaningful progress on any front," she says.

IDENTIFY TRENDS

Business owners must look at current trends in the economy, population and industry to determine what steps to take in the future.

"Look at the demographics and whether they will change," Doherty says. "Will there be more people in the area? There is an increasing number of people age 50 and above. You have to pay attention to those factors."



COVER YOUR BASES

Although long-term plans include financial projections, they are less concrete. The meat of the plan is the specific growth initiatives. Long-term plans should include:

- A vision statement describing the business three to five years in the future.
- Four to six high-level strategic objectives, which, upon achievement, will result in arriving at the desired vision.
- Three to six objective elements per each strategic objective. An objective element describes a specific idea.
- Action plans — one per objective element — that details exactly what actions will be taken to address the objective element, including schedules, required resources, budgets, contingencies and dependencies.
- A strategic financial projection that details the anticipated revenue resulting over the course of the plan.

DIG FOR INFORMATION

Information on population predictions, demographics and economic data can help in your efforts to plan for the future. There are numerous places to search for this information, for example, local governments/city halls, the U.S. Census Bureau at www.census.gov, and the U.S. Bureau of Labor Statistics at www.bls.gov.

The final and likely most valuable tip for continued success in any future business situation is to review your plan often.

— Casey Clapper, Contributing Editor