How We Transition and Plan for the Future©

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INTRODUCTION

Weston Nurseries is a 4th generation nursery that has recently gone through a transition from being a majority grow/sell operation to a majority buy/sell operation of plants and garden related goods. Our transition was particularly complicated because two brothers who were 50/50 owners differed significantly in their business philosophy. Only after my father succeeded in buying out his brother could our transition really take place. This painful experience made it all the more essential to run the business profitably by transitioning away from much of the growing and become a sales-driven organization that buys and sells plants and related products.

OUR TRANSITION

Our company needed outside board of directors and an outside CEO to try and separate one brother away from the business and allow the other brother to purchase the other brother's share of the business. Despite the outside help, an agreement could not be reached amicably and we were forced to protect the business by taking the company into Chapter 11 bankruptcy protection. Through this process, we were able to acquire adequate funding to continue the business. When we emerged from bankruptcy, we were able to secure a term loan and an operating line of credit with our bank. We were also able to pay off creditors all money owed to them.

With one brother now owning the company, we were finally able to define a clear strategic objective for the company to become profitable and viable. In our case, the objective was to transition out of being a large grower and become a more customer-centric, market-focused organization. The growing we did was not profitable and we did not have the type of customer base to support a large growing operation.

It became obvious that the managers needed to operate the business, not the owners, if we were to succeed. The managers were very well equipped with the technical aspects of the business, but many did not have the skill set or the desire to work with other managers for the betterment of the company. Many years of disagreement between the two brothers on how to manage the business resulted in a culture where many of the long-term managers believed that knowledge was power and were unwilling to share and trust in others. The company had a management team that did not want to work with one another just like the owners could not work with one another. We needed to flip the equation the other way around where a good manager would now be defined as one who aligned with the company goals, worked cooperatively within the management team, and hired motivated people who wanted to help make the company better.

It was clear that we needed to reduce the amount of managers and put more attention to things that directly impacted our customers. A few business-minded managers were brought in while some of the long timers who were not on board with the new strategic goals of the company were let go, or decided to leave the company on their own. We managed to cut about 45% of our payroll over a 5-year period while restructuring the roles of our managers to take on more of the overhead parts of the business. The management team began to interact positively and cohesively, and changes began to take place:

- We became much more operationally efficient by doing things such as consolidating three separate plant collecting areas into one shipping yard within the sales area with the operations manager assuming the role of shipping manager.
- We combined the facilities manager and the garage manager position.
- We eliminated the harvesting/production manager position and put that responsibility on the operations manager.
- We sharply reduced our production staff by selling much of our in-ground and container grown stock at attractive grower prices to re-wholesalers and garden centers in the region.
- We held team member meetings monthly and shared how well we were doing with meeting our sales and cost savings goals. The company management and staff shared with how well we did.
- We put incentives in place with all three sales channels so that everyone could make more money if they or their departments sold more.
- We held many off-site meetings so that all managers were aligned and working in synch toward common company goals.
- We established systems that defined HOW we did things so that we could operate the company in a reliable manner and new hires could come on board with a clear understanding of how we do things in accordance with our company values.
- We achieved scale and capitalized on our brand by starting a second garden center that will open in spring 2011.

HOW WILL YOU TRANSITION YOUR BUSINESS?

The critical "takeaway" from our experience is that business ownership does not necessarily equate with competent management (leadership). Although it is possible for many owners to become effective leaders, leadership skills are independent of ownership. The nursery industry has traditionally assumed that owners must be the people who run the business — Weston Nurseries (and some other nurseries now) have discovered (often painfully) that these are two independent issues.

Owner Agreement. What I've learned is that you have to settle family matters or owner matters first, or the business will undoubtedly suffer. Owners must agree on financial and strategic objectives, and a set of values that make their company unique. They must also look at themselves as employees with specific roles in meeting the objectives.

Once owners have clear paths of where they want to go, they must also agree that they have to put personal preferences aside and do what is best for the business. Deciding on what is best for the company must be based on carefully analyzing where the business is making money, where it is not, your company's unique value proposition you provide to your customers, and ompetitive analysis now and in the future. Don't be afraid to poll your customers as well as your staff. Often times you will be surprised that this feedback is different than what you expected to hear.

Leadership Strategy. The leader of the company has to first commit to be accountable for meeting strategic objectives that are set. Leaders often have boards or peer groups that can be used to hold themselves accountable. The leader needs to commit to meeting with the group regularly and the group has to be engaged by asking questions, providing feedback, and holding the leader responsible for setting and measuring initiatives.

Well run companies are clear about who is in charge. If two people are in charge, it sends a confusing message to your reports. Reporters always need to know who they are reporting to and where the buck stops.

Once the owners have agreed on the strategic direction of the company and who will lead the charge, it is their job to make sure your company is filled with team players who are all in it for the good of the company.

Management Strategy. The biggest factor is assembling a good management team is trust among individuals. Good teams talk openly about what their own personal strengths and weaknesses in order to put themselves in the best position to help the company. Without this sense of trust, egos will get in the way and there will be a fear of healthy conflict resulting in “artificial harmony” among the team and a general lack of commitment and accountability. Without trust among your management team, the tough decisions are hard to make because people do not want to engage in constructive conflict necessary to make best decisions, or hold themselves and others accountable to carry out the decisions.

With a strong team in place, managers will set goals for their areas and operate the business. They will build trust among their staff and get bottom up input on how they will meet their goals. They will look forward to periodic meetings with the other managers to give updates, and talk about challenges and solutions. It is good to have these meetings off site without interruptions. A well run business should be able to get away from the day-to-day operations without too much worry because they have built up their staff to be committed, confident, and accountable for covering all areas. Specific action items will be reviewed and established at each meeting. Managers will not want to let down the team and will take their action items seriously. They will hold meetings with their teams, get their input on the best way to achieve goals, get buy-in from their staff, and expect to see results and behavior that meets objectives.

The leader’s role is to prioritize the most important issues affecting the company and steer the manager’s meetings. The leader should lead by example in that they praise often and make quick corrections when a manager is not in line with the best interest of the team. The leader should make sure the managers are doing the same with their staff. The leader should give constant feedback to the entire organization through team meetings or company newsletters. All managers and staff need to share in the success of meeting financial goals of the company. These could be quarterly sales goals, cost savings goals, or specific initiatives such as inventory accuracy improvements. Given the nature of the business, it may be beneficial to have department goals where the team, the individual, or the combination of each is rewarded if certain sales goals are met.

Systems Strategy. Well run businesses put systems in place that everybody clearly understands and operates within. When systems run the company, the knowledge is shared among many rather than confined to one person. This will allow the company to not miss a beat when someone leaves.

Systems tell employees "this is the way we do things." Employees can do great things when there are clear systems in place. New hires will become great employees quickly if they clearly understand what they will be doing and why they do their jobs a certain way. Employees like to be involved with a company that is clear on how they do things.

Customers buy from you because of the way they feel. Your company is your product. With people understanding the systems a company operates in, a consistent presentation is made to customers so they have a consistent experience with your company.

There should be systems for everything you do; how you clean your equipment, equipment repair, safety, hiring, job descriptions, performance reviews, pay scale, purchasing, selling, how you dress, how you greet customers, how you answer the phone, how you fill orders, how you handle plants, how you post availability, how you take inventory, etc. Systems should be documented in an operations manual by managers.

Once systems are created, your company can "franchise" itself by repeating what works in other locations. Without systems, the ability to grow is limited and experiences presented to employees and customers are inconsistent. Automate wherever you can, using the best technology available. Review systems often by involving your staff. They are not meant to be static and encouraging staff to find better ways to do things creates a positive, constructive culture that good employees want to be part of because they feel valued.

People Strategy. You want to create an environment that provides opportunities for people to advance and improve themselves. You should invest at least 1% of your sales in training. This will be the best investment you can make as you will retain more people who can do much more for your business versus the real cost of bringing on new people. Open positions should be offered internally first so that people have the opportunity to advance and the company can take advantage of the tribal knowledge that is inherent with existing staff.

Hiring is critical. The candidate must understand what the company is all about and decide and understand the idea behind the work they will do that makes your company special. This usually involves managers expressing this directly and being involved with assessing the candidate. Putting the candidate through a comprehensive hiring process demonstrates the type of company they will be affiliated with and gives the selection team a good view of how the candidate responds so they can make a better decision on whether or not to hire and the best position to place the candidate.

Managers have to be rated on how well they hire and train their people. They need to have the mindset that they will work themselves into a higher position by making great hires and training staff to take on more responsibility through better systems that they develop. As long as the company's strategic objectives are well known and include specific growth areas, managers will see a path for themselves.

All employees must have job descriptions and performance reviews at least once a year. Performance reviews should be directly linked to weighted areas of responsibilities clearly defined in their job descriptions. Performance reviews should also be tied to company values and provide feedback to as to how well they did their jobs with meeting the values of the company. For example, a sales person may have done a good job being aggressive with servicing customers, but may not have been dressed properly or may not have used great body language when greeting customers.

One of the hardest things for most managers is to act quickly when a staff member demonstrates poor behavior. Most times we wait too long to let people with poor attitudes go only to find out that the rest of the team wondered what took you so long. You are only as good as your worst employee. Hanging on too long brings the rest of the team down, while acting quickly keeps the best employees more supportive of their company because it remains true to its stated values.

CONCLUSION

It is important to focus the business on what you do best and try to be the best at what you do. The company brand represents the feeling your customers have when they think of you. Ownership should periodically step back and decide on who possesses the most aspiration and skills to lead the company. The leader needs to enforce the company brand through clearly defined strategic objectives, a set of company values, an aligned management team, open book communication with staff, systems for HOW you do things, rewarding of good performance, quick action on poor behavior, and a commitment to hold themselves and their management team accountable for making constant improvements to the business.