

Strategies TO **Improve Profits**

PEGs can provide valuable assistance for businesses

by Kathleen Barry Albertini, CEO, Management Growth Institute, Inc.

What moving company owner wouldn't like to see higher profits? Would you believe that can be accomplished, in part, through the shared wisdom of others in your industry? The technique is known as a profit enhancement group (PEG), which the Management Growth Institute (MGI) has offered to moving companies since 1989.

MGI forms a group of 10 non-competing moving company CEOs and leads them through an MGI-developed process.

At each meeting, the group convenes at one member's business location. The visiting PEG members use their years of experience and expertise to review the host's company and offer recommendations on how to improve profits. The groups do not make

Visiting PEG members use their years of experience and expertise to review the host's company and offer recommendations on how to improve profits.

recommendations on any matters related to setting prices or other collusive or non-competitive initiatives. Each company operates in a unique geographic/regulatory/van line environment, and the visiting members



Left to right: Kathi Barry Albertini, CEO; Edward H. Pendergast, PEG director; Lynne Levesque and Jim Knott, advisers; and David T. Barry, retired CEO and originator of the PEG.

usually lack the knowledge of the local economy, regulations and/or the governing van line requirements.

'EDWARDS MOVING & STORAGE'

"Edwards Moving & Storage," an actual company whose name has been changed for its PEG review, is similar to many PEG member companies MGI has encountered in all industries we have served, and is representative of moving company members in particular.

Changes to the name of the company, employees and location allow a deeper look at issues many moving companies

experience without compromising confidentiality. That's critical—PEG members count on confidentiality when they open their doors to other non-competing CEOs.

Two siblings currently lead Edwards Moving & Storage. Sibling partners, along with women-led businesses, are the most common succession paths in family business in the United States. Edwards, located in a large Midwestern city, has a long history in the moving industry. Successive generations have led the company through many years and significant changes.

Recently, the company's leaders have focused on starting other businesses. But conflict within the family led to the

Visiting the host's business: Pat DiJulio of Western Van, Kent, Wash.; John Belton of Citizens Transfer, Tucson, Ariz.; and Edward Wong of Royal Hawaiian, Honolulu, Hawaii



functional separation of the current leaders, a brother and sister. Samantha, the oldest child, had responsibility for the moving business the first time the PEG visited. Greg, the youngest child of five, concentrated on the new businesses developed to even out the business cycle and improve cash flow. This evolution separated both their responsibilities and their physical locations. The other siblings chose not to work at Edwards.

A FAMILY BUSINESS

Samantha came into the business after graduating from college with a degree in mathematics. She excelled in statistics and considered an outside career. When her father received the news that he had cancer, she changed her plans and returned to Edwards where she had spent many summers in the office. As the oldest child, she felt the responsibility to the family, the company and the tradition of past generations. But she took on the role without enthusiasm or passion, and with concern about her lack of motivation.

Analytical projects consumed most of her attention. Several times she started projects to measure productivity.

After two or three tries, she got discouraged. The employees resisted the oversight, refused to provide the information or simply ignored her efforts. She went back to her office to find ways to get the information without involving the employees. She gathered information from the computer systems used in accounting, dispatch and customer service and other internal reports.

Her efforts provided overall statistics on company performance and raised more questions about employee productivity. Projects like this consumed much of her time and attention. She rarely appeared in the warehouse, attended operations meetings or met with the sales people. All her efforts centered on measurements and getting reliable financial statements out for Edwards and for the other businesses the family owned. At the time the PEG visited, she was president of Edwards.

Greg was completing his last year of college when he learned about his father's cancer.

Originally, Greg planned to work for a Fortune 500 transportation company in

sales before joining the family business, but his plans changed too. He finished his degree scheduling his last year of classes to work at the moving company two days a week. When he graduated, he gravitated to the new lines of business and took one of his father's ideas and ran with it.

Edwards did some commercial moving, and his father's idea was to offer record storage to these customers. Greg's recent degree and sense of the market for record storage got him excited. He met business owners, developed materials and got himself to the stage of submitting proposals. He sold his first account quickly, dropped it on Samantha's desk to figure out how to set aside space in the warehouse and went out looking for more. He also worked to increase commercial moves and volume grew.

But a miscalculated commercial job disappointed the customer and caused him to stop negotiations for storing his records with Edwards Records Center. Greg got the news when the customer cancelled their next appointment. He appeared the next morning in Samantha's office. Several more service failures

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caused Greg to initiate a loud, unpleasant fight with Samantha. Her lack of response caused him to go to the next commercial move himself. The crews arrived late. The supervisors failed to use the crews productively. Greg found crew members smoking in the parking lot with furniture sitting outside the truck. He didn't like what he saw. He told Samantha and demanded solutions. Samantha agreed but didn't know how to supervise the operations manager adequately, which made it difficult to guide him in supervising his crews.

The incidents continued until Greg took charge of Edwards Records Center and hired separate employees to handle the growing business. He stopped selling commercial moves and concentrated on the records center. The rift between him and Samantha widened. Edwards Moving & Storage suffered further dips in business. When the PEG arrived, Greg had a long list of what he wanted it to review.

PEG RECOMMENDATIONS

During the PEG visit, the members developed fact-based recommendations to improve many areas at Edwards.

In the operational area, lack of supervision led to inefficient use of space in the warehouse, high claims and poor maintenance of equipment.

As the group reviewed the information they had gathered at the visit to Edwards, they kept coming back to Samantha's lack of direction.

She didn't manage her operations manager or her sales people. Some long-term employees with great admiration for the family performed their jobs efficiently, but most took advantage of the lack of direction and worked less productively.

Though the company had strengths, the PEG concentrated on areas where it could improve.

On the final day of the meeting, the PEG presented its recommendations to Samantha and Greg.

In addition to a list of specific recommendations on operations, sales and administration, it emphasized the importance of strengthening leadership and supervision within the company.

The group warned against starting new businesses without perfecting existing businesses like the centrally important moving business.

The PEG offered alternatives in some areas to encourage Greg and Samantha to agree on a path forward for Edwards.

PEG members noted that one alternative would be to sell the moving business and concentrate on the other business lines, but cautioned that the PEG had given Edwards specific recommendations on improving the business; and if they chose to sell the moving segment, Greg and Samantha still had to resolve conflicts and clarify roles and responsibilities.

In another alternative, the group encouraged Samantha and Greg to stay in the moving business with some internal

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changes. Since Samantha had strong analytical skills, the group suggested they consider whether she might serve the family businesses better in one of the non-operating businesses.

This would leave Greg with the responsibility for the moving company.

He could run the company and implement the recommendations, or he could look to find a general manager with strong management skills to do that for him.

PEG members stay in a PEG for an average of six and half years, and Edwards looks forward to the second visit.

The firm, as PEG members do, has taken many recommendations seriously. Some they implemented quickly: They reorganized their warehouses, concentrating the moving business in one and using the other locations for the other businesses.

They established consistent policies and procedures for maintenance of vehicles, safety and security.

They hired a general manager to run the moving company.

Though a non-family member leads Edwards Moving & Storage now, Samantha continues to explore her next steps. Her presence in the moving company facility sends mixed messages to the staff. Greg and Samantha still disagree on many of the changes Greg wants to implement in the business.

They continue to work through clarifying responsibilities, both for family harmony and the productivity of the employees.

One recommendation they have not implemented is to establish an outside advisory board. Small businesses in general resist the discipline and time commitment having an outside board requires. They also often find many reasons not to allow outsiders to gain knowledge about their business.

While the PEG provides some of this for CEOs, the benefit of having a group of local business and professional people

knowledgeable about the business would allow Edwards to work more consistently on settling some of the family conflict that Greg and Samantha still experience. With 80 percent or more of the businesses in the United States being family businesses, many professionals and business people have experience and appreciate the opportunity to share it with other businesses by serving on advisory boards. As a business grows, it will require a more formal board of directors. An advisory board gives CEOs an informal experience and a stepping stone to that next level.

For more information on profit enhancement groups, visit www.managementgrowth.com.



Kathi Albertini is president of Management Growth Institute, Inc., a second-generation family owned business. She leads profit enhancement groups in the moving industry and in the information services management industry.

The Importance of Being First

The classic "chicken or the egg" debate is not really a question of "who", it really begs a question of "why". Being first in business means taking the lead. Being first means setting the standards. Being first takes effort. Being first bears the responsibility to be the best. Staying first demonstrates innovation and commitment. AE Worldwide was the first to offer specialized services for the relocation industry over 40 years ago.

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