

Can you handle the biggest decision in your career?



Many machine shop owners throughout the country have reached the fork in the road that is forcing them to make a very important decision, yet, it seems 80% of them are “stunned” and want to ignore, or not acknowledge, this most important time in their life.

“Who do I want to be, a full-time competent machinist, or a full-time business entrepreneur?”

The realities of the many complexities of our business are here front and center, driving rapidly toward you, and a lifetime decision must be made.

Consider the following realities:

- The independent sector of the machine shop and service industry has a crisis of profitability, retailer attitude, and public perception. Most shops, at this point, have bought themselves a job, and do not enjoy a financially rewarding lifestyle reflecting the risk and responsibility of this type of business. This industry no longer provides for your old age, but it certainly hastens its arrival. Most shops are running their business based on price (the race to the bottom, that is, how low can we go and how fast can we get there in pricing our work). The owner does not really understand the financial ramifications to their bottom line with their day-to-day pricing decisions; this business policy attracts price conscious “customers” rather than the quality service “clients”. The shop is working hard, not smart, and is stuck in a rut.
- Outlets across the country are closing, yet, the number of vehicles on the road has, and is, increasing significantly and they must be professionally serviced, so is the machine shop missing potential opportunities?
- Technology has increased substantially to the point where more equipment is needed and the machine shop equipment must be serviced/ replaced more frequently than years ago, such as on-going software upgrades.
- Margins on all hard goods are decreasing, and will continue to decrease significantly over the coming years with Pacific

Rim influences, yet, it is imperative that a shop's total gross profit comes in at 70% to create the necessary funds to keep a shop prosperous and provide management with a professional income.

- These three issues alone are forcing small one, two, and three man machine shops to realize that if they are going to stay in this business, serve their customer/clients professionally, and be financially successful, they must grow. By “grow” I mean to a minimum of four, but preferably to six to eight man operations if another 10 to 15 years are left in the owner's working life. This can't be ignored, but is it right for the current business?
- With an on-going shortage of competent people in our industry for the balance of our careers, the day of the division between the boss and employee has ended. Wages will continue to rise significantly. To be able to manage this, employees must be brought into the picture of the business operation and clearly understand how the business works, how it is going to grow and prosper.
- The banks have curtailed financing significantly to our industry, as we have been classified as “people” who do not understand the financial and business management criteria of our business that is required today to be risk/credit worthy. Assets don't mean much in today's economy as profitability and cash flow are everything in answering the question, “Can you pay your debts?”
- Taxes, whether business taxes, income taxes, employee payroll taxes, and other levies are a fact of our society, very real, and a true requirement to be met on a machine shop's cash demand.
- Stress is more prevalent in today's engine rebuilding industry than ever before. Stress on employees to keep learning the new technology, stress on the owner to keep the business afloat and stress on the home life, namely the spouses and children as the state of our industry and economy affects the shop owner's attitude and disposition. ➤

BUSINESS NEWS

BY BOB GREENWOOD

The obvious question is, "How do you deal with all these issues properly, professionally, and be involved with physically rebuilding engines at the same time?" The answer is "You just can't." Today is a world of "specialization" which simply means that you learn and become very proficient in the one field in which your interest truly lies. Do I want to be a competent machinist and work on engines all day, or do I want to be a successful business entrepreneur and learn how to run my business? Do I enjoy being up front managing, measuring the operation, and dealing with/educating my customer/clients, my supplier, my bank, my accountant, and my lawyer?

If you choose to be a competent machinist, then truly focus on that profession, because it is a huge responsibility and will require a tremendous amount of time in study and classes to be the best within this field. Consider: "How can I do this and run my business successfully, meeting the financial expectations I have for myself and family coupled with my responsibility to my employees?" It is time to hook up with an entrepreneur, because, as a competent machinist, you will make more money than you thought you could and without the business financial risk/concerns playing on your mind. The shortage of competent people is everywhere and your skills are needed badly. In economics when there is a high demand and no supply, the price goes up. Wages for competent machinist have an exciting future, providing they are working in a business where management has the skill/knowledge to run and manage the business.

If you choose the path of business entrepreneur, then the owner must mentally prepare for change to the point where he/she develops a flexible mind-set so that change becomes a permanent state of mind. Not change for the sake of change, but change for the sake of survival and future income security. Change is not an option.

Business Management training now becomes the top priority. A professional / successful machine shop and service business is very rewarding, but is an extremely complicated business to run today. However, the facts are, nowhere in high school did anyone learn about engine rebuild machine shop business management. No one was taught revenue, gross profit measurement and the mix of both in an rebuild business and how they work. Nor did they learn about balance sheets/income statements and how to read them, accounts receivable profitability and management, inventory management, shop productivity measurement and management, shop staff relationship management, shop business relationship management and how all these factors interact to affect the net profit of the shop. These are all new skills that must be learned by everyone owning and running an engine rebuilding business today, and it is not a one-time visit. As in technical training, it is an on-going process of learning and should be totally revisited in a classroom a minimum of every two years, enabling management to keep up with the business issues and measurements in this industry.

It is time to make the decision that is best for you! They say you can live a life of fulfilment if you only have the courage to let go of the past and listen to your heart.

Who are you, an entrepreneur or an employee? Only you, and your family, know and can answer this question honestly. Discuss it openly, and honestly. Your financial security is at stake here.

Once your decision is made, act upon it without reservations. Move forward with an extremely positive attitude. You have to expect things of yourself before you can go out and actually do them. Be proud of your decision because both choices have a great deal to contribute to the lifeblood of our industry.

Be very focussed to be the very best you can be. Most importantly though, don't cheat yourself. Give yourself the time required to learn to be the best. Don't say you don't have the time when you can find the one week to go fishing, or the 10 days for hunting. Just schedule it. Pretend you're in the hospital, and you just can't make it into work. Realize too, that it is not just an "overnight" visit to be the best. It is a process of learning and experiencing for both career paths to be successful.

In summary I will leave you to ponder this:

"The road to success is not a straight one. There is a curve called **failure**, a loop that is called **confusion**, speed bumps that are called **friends**, red lights called **enemies**, caution lights called **family**, and you will have flats called **jobs**, — BUT — if you have a spare called **determination**, and an engine called **perseverance**, insurance called **faith**, a driver called **enthusiasm**, you will make it to a place called **success**. ■



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E.K. Williams & Co. (Ontario) Ltd. is a provincial-based business management consulting and accounting services company that specializes in the independent sector of the automotive aftermarket maintenance and service industry.

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