

Developing Engine Building Business Management Skills

**Truly a development process...
not a quick seminar or sales course**

Let's clearly acknowledge the facts; we are experiencing challenges like no other era ever seen before in our industry. Many engine builders are very nervous about their future and whether they will actually have a business to sell down the road; a business where they have spent their life working and put a lot of sweat equity into. Consider that a business is only worth something if it can prove that it is a profitable enterprise producing a good ROI for the investment required and it has a strong future because of its business processes which measure itself accurately which in turn directs management to adjust to changing times.

The engine building business has changed drastically yet it is not being acknowledged properly within the industry. Every level of the industry still talks about the desire to drive more "sales". The commodity side of the industry has the loudest voice on this issue and spends the money on marketing that screams to machine shop owners "more activity", "make more sales with our products and programs, and be price competitive". The commodity side of the industry does not seem to understand at all how the engine re-building business level has really changed and the need to address the real shop issues called "productivity" and "sustained individual client relationships". They seemingly give this issue lip service only, without substance supporting or backing up their words.

Step back and consider the following: The manufacturer, warehouse distributor, and jobber are in the *commodity business* and they require *sales volume* of their products to survive. This IS what they require in their business. All their marketing displays their desired results. The engine builder, however, is in the *knowledge business* and does not require the commodities to survive to the same extent, but rather requires *proper billed*

hours at the right rate in an efficient environment to survive and prosper. The machinist shop owner is not getting exposed to, or taught, the real issues of his/her shop that ensure proper *net income* is achieved and *retained*, allowing them to grow, prosper and enjoy a rewarding professional career. Instead, shop owners are approached by the commodity side and sold on the idea to attend and listen to a presentation that is a 1, 2, or 3 hour evening session, or a 1 or 2 day seminar that, in the end, preaches more sales, more activity. These are "motivational" or pep talks only and do nothing to teach the engine re-builder proper business acumen and best business practices. The shop owner is never introduced to his/her own numbers during these "presentations" and allowed to work with them and clearly understand what they mean.

This is an absolute tragedy within our industry.

The fact is, engine building business management development is a two to three year *process*, not a one- or two-day experience.

Consider that the majority of owners have high school level education as their last year of formal education. From there, they worked very hard, paid the personal price of sacrifice, and achieved the designation of Machinist. They are knowledgeable about the engine and the best shops have a concerted effort in place to stay on top of this issue, however, one must ask, "Where were they taught how to read the balance sheet of their own business? Where were they taught the difference between markup and gross profit? Where were they taught the workings of shop efficiency and its affect on the bottom line? Where were they taught how to manage gross profit and *measure net profit* on an

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invoice *before* they closed it off? Where were they taught how to create a shop team with a positive culture through personnel development? Where were they taught the costs of extending credit through accounts receivable and the “cancer” it can give a business? Where were they taught how to maneuver a business in struggling times that will still provide for a future? Where were they taught what they should *measure* on a daily, weekly, monthly, quarterly and annual basis that ensures the prosperity of their business?”

The facts are the average engine building shop today is missing between \$35,000 and \$90,000 in *net income* from their lack of managing their *current* business. Engine builders don't need more “activity” ... they need to learn how to manage properly what they currently have. If their business was managed correctly through the process of learning to develop best business practices and measure and manage “productivity” instead of chasing “activity” to keep *busy*, suppliers would be getting paid in full each month and at better margins! The shop owner would enjoy a professional personal income as well as have the cash to study, measure and move his/her business forward.

Suppliers tell me that machinists who are business owners are not interested in business management. This is true based on the fact suppliers sold seminars in the past and called them business management seminars or courses. They in fact were

not. They were sales and motivational courses. This industry does not need another sales or motivational course in these changing times. The suppliers failed their customers!! The trust was and has been broken. They sold the machinist sales courses and seminars focusing on sales techniques making the shop busier through increased activity and selling more parts forcing shop owners to work harder and not smarter. *Sales went up in the shop but net income did not.* The credibility of these suppliers is gone.

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I've heard from them “I will not understand as I wasn't that good at school Math and English”. “I'm a machinist not a pencil pusher”; “I would embarrass myself”. “That's why I have a bookkeeper because business management is nothing but numbers and paperwork that bean counters have to understand to keep the government happy”. These reasons are seldom spoken to their suppliers ... instead, they say to their parts sales representatives “it is too expensive”, or the big one ... “I don't have time”,... or “I don't need another course”, or “no one can show me something I don't already know”, or “that stuff isn't worth it anyway”. To all machinists clinging to these “excuses” ... wake up and do the math ... you bought yourself a job and you know it, and you are covered in debt that has increased your stress to undesirable levels which is

affecting your family relationship. Do you want to do something about it or not???? If not, then stop your complaining and whining and accept your future consequences.

Understanding real shop Business Management is easier than you think, however *you must work with it over time* because it has not been part of your daily activity in your shop throughout your career. If you are a machinist who owns a shop *you can grasp and understand business management*, however, the real question is “*do you want to learn?*” If you don't want to learn, then no one can help you and you should wind down your business and get out now while you can as the next three to five years are going to be challenging to say the least.

If you do want to learn then plan the time now and enroll into a proper business course that is engine rebuilding specific and not a generic business course. I'm confident, if the course is the right one you truly will enjoy it.

You did not create the current industry issues. This is just reality today.

This business has changed and if you're going to be in it you must clearly understand the business management side of it. You can not ignore this any longer. The engine rebuilding sector of the automotive aftermarket industry is at a critical stage in its development. Without a proper business focus now, the net income will not be produced to obtain the right equipment, to seek out and sustain the best training, to upgrade facilities, to find,

keep and pay the best machinists, and to provide management “with a life”.

It is time to stop listening to the emotions and emotional bank accounts that have misled us, or the previous generation who worked under different circumstances. It is time to slow down and do the math of each individual business. Math does not lie.

Professional business development and business acumen will not let you down.

Consider where you will be three years and five years from now. Be honest. Will your current business methods guarantee that you will be here in a healthy and prosperous manner? Prove the math right, or prove the math wrong, but take the right look at the math.■



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