

Ask Dr Ellis...

Got a problem or a challenge in your business? Ask Dr Peter Ellis of Your Silent Partner Pty Ltd about it through *Business Acumen* each month and he'll gladly give you a prognosis. In this first column, Dr Ellis tackles questions from two of his existing clients.

A GARAGE MECHANIC ASKS:

When people bring their car in for a service, I check and let them know what is needed to make the vehicle perfectly roadworthy at a reasonable price. My competitors do a simple service at a higher cost and then try to add all the extras at a high charge. Why don't the owners see what is happening? Must I compromise my ethics to stay in business?

"Only the client will pay our costs and provide our profits. So we have to conduct all business planning from the client's point of view." – Ian Carlzon (former CEO of Swedish airline, SAS).

This advice is relevant for all service providers, whether a garage mechanic, fitness club, wellness centre, physiotherapist, a pool shop or computer service.

When potential clients bring their car in for service, that is what they want and what they should be offered.

To be a successful service provider, it is important to build a trusting relationship with clients and have them perceive that you care about them as well as their car. Whilst competitors may know how to trick one-off customers, your aim should be to build a rapport with all clients who come to you and have those clients return on a regular basis. You are not a doctor healing a sick patient, but a long term carer looking after both the owner and their car.

Once they have received the initial service, you can explain to the owner other things that are required, in a way that they see you are thinking about the long term care of their car and show understanding of the costs involved.

I suggest that you look after your clients and they will not only bring you a regular income but will find other clients for you.

Remember, whether the 'product' is a car, pool, computer or human body, it still remains a fact that it is easier to retain long term clients than to find new ones.

A MANUFACTURER ASKS ABOUT THE CHALLENGES OF SALES V MANUFACTURE:

Our production system focuses on keeping the cutting machines working at full capacity. Sales people can see that we need 40 hours work per machine. When the sales team think they have sold sufficient hours, they ease up. Yet, for some reason, whilst we have plenty of work to produce, the work is spread over a long period, so we are never busy enough. Why is that?

"The problems that exist in the world today cannot be solved by the level of thinking that created them." – Albert Einstein (1879-1955).

It may be seen from the information I have received from you, that you have a strong cashflow base with which to develop your continuing growth. You are probably using the same thinking that was used on the commencement of the firm, with your sales to production plan.

The underlying problem of so many firms, is that their 'theory of business' is no longer relevant. This is why successful organisations are under-performing or in financial or productivity difficulties today.

In nearly every case, the root cause is not that the wrong things are being done, or even that they are

being done badly. The reason is the outmoded assumptions on which the organisation was built and is still being run.

These assumptions are about the way that the organisation views the market and identifies the production capacity. They are the principles that the company uses to value its strengths and weaknesses and its ability to evaluate its strategic vision. It is these very ideas, which are the organisation's 'theory of business' and that no longer work. (Peter Drucker)

In your case, I think that a Key Performance Indicator program should be prepared for the sales team and they should no longer be focused on production capacity.

Communication between the departments will continue, but the sales force of a developing enterprise is directed through the business plan, not through their understanding of what is required by other departments. ■



Peter Ellis.

Send your questions to Peter Ellis through Consult@YSP.com.au or through our website, www.businessacumen.biz

Note: People sending in questions or reading the answers should understand that participating in, or acting upon, the Dr Ellis, Your Silent Partner Business Clinic page does not guarantee success in any business activity and that participants and readers retain sole responsibility for business actions and decisions (even if based on ideas or suggestions provided by Dr Ellis YSP).