


INTERNATIONAL ASSOCIATION OF BUSINESS

**IS065 - Systems Integration
Business Survival Kit**

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Tom Stimson, MBA, CTS


- The Stimson Group, Management Consulting
- 25+ years in Audiovisual Industry
- 7 years on InfoComm Board of Directors
- 2010 InfoComm International President
- Member InfoComm, NSCA, Plasa, IAF
- Keynotes, columns, seminars




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The Challenge

What's my goal?
What do I have to work with?



Today's Objectives

- Purpose-built Operations
- Scalable Sales Models
- Pricing, Margins, Commissions
- Single Points of Failure

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RT@trstimson: Profit is possible in all business climates and conditions. Adjust to the NOW #survive #ic11
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Which of these is fixed?

Income	Direct Cost	Overhead	Net Profit
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P&L Responsibility 

- Sales and Operations responsible for delivering gross profit (above the line)
- Owner/Management responsible for bottom line results (below the line)
...and everything above the line too


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Actual GM quote:
"We're losing money fast, but we'll make it up in volume..."

POOR RESULTS ARE ALWAYS MANAGEMENT'S FAULT!

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A Beautiful Dream 

1. Grow *the right kind* of sales
2. Flawless delivery
3. Maximize gross profit by project & period
4. Minimize overhead to maximize net profit
5. Happy customers
6. Happy employees

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Purpose-Built Operations

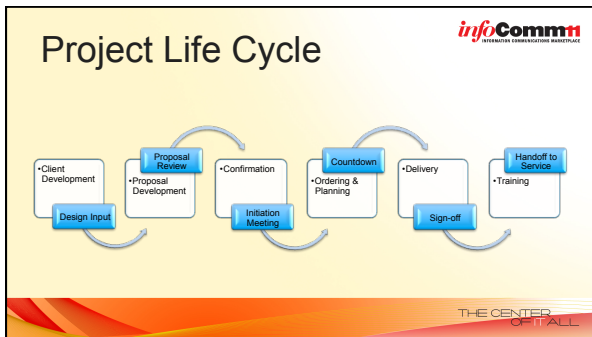
What if you started from scratch?

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RT@trstimson: Resourceful companies simply adapt to the times. Winners innovate. #survive #ic11
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Capture and Share Info

- ERP Enterprise Resource Planning
 - CRM
 - Project Management Systems
 - Accounting
 - Inventory
- For all active projects there can be only one definitive location for up to date information
 - Everything else is a potential point of failure

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Step #1

- Institutionalize your existing analog data capture
- Hire or assign one person to hunt down all known facts about every job and put it in one place
- Use that as YOUR primary source of info


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Prevent Constraints

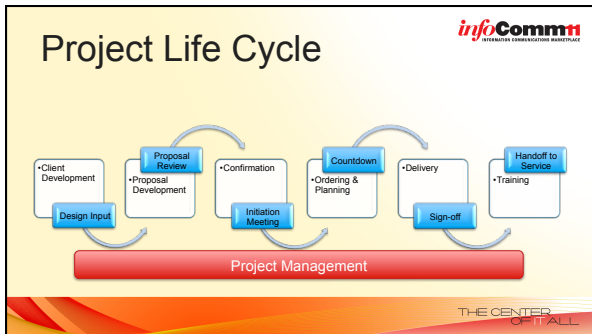
- Project Management is a company process *not* an individual role
- The sooner you engage project management skills in a project, the better the outcome
- A good PM process makes you scalable


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Project Life Cycle 

- Mistakes start with unclear expectations
- Profit is lost when expectations and outcomes do not align
- Project Management is what customers pay you for

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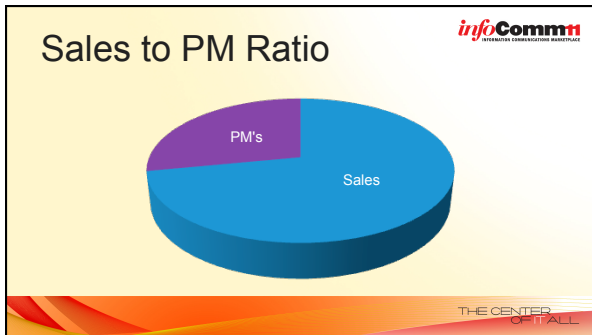


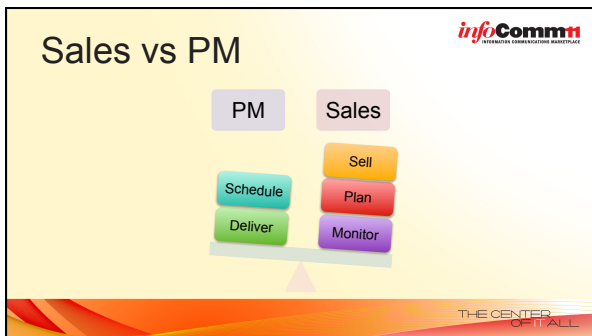


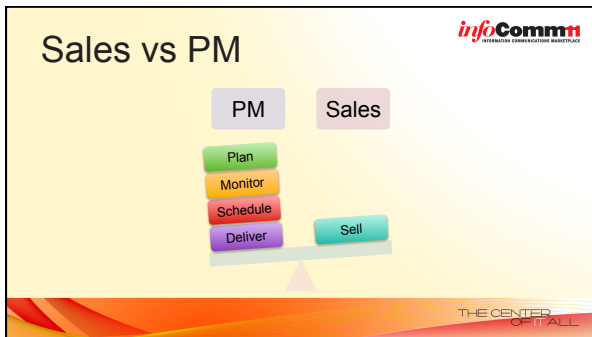
RT@trstimson: If sales ppl involved in delivery process, only way to grow revenue is sell bigger projects #survive #ic11

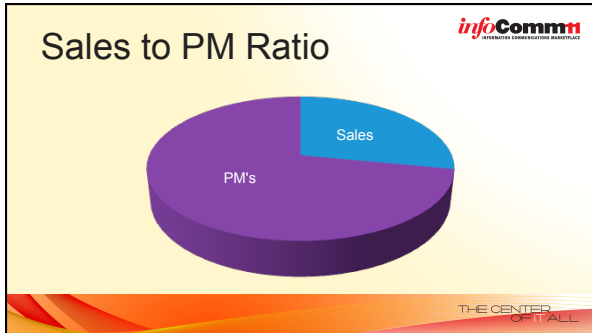
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- ### Step #2
- Define the project management process
 - Re-write the PM and Sales job descriptions *at the same time*
 - Amend all other process job descriptions that have a project management component
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- ### Why you *think* you can't do this...
- We can't afford any more project managers
 - Starting the job on time is more important than finishing on schedule
 - A job is never really finished, so asking for sign-off is awkward
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Other Unprofitable Assumptions

- Customers won't agree to narrow scopes of work
- There are too many variables and things outside our control to guarantee outcomes

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Scalable Sales Models

Logical separation of roles

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RT@trstimson: AE's doing business development is same person calling on same people over & over again #survive #ic11

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Sales vs Biz Dev

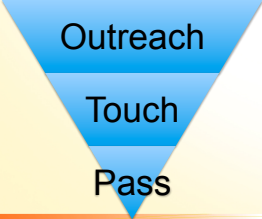
- Business Development speaks with channels and verticals about the importance of a Unified Communications Strategy and key business relationships.
- Sales develops opportunities into proposals, orders, and ongoing relationships.

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Business Development

- Infiltrate Vertical
- Infiltrate Channel
- Expand Business Network
- Introduce Prospects to Sales




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Sales

- Customer Service
- Order-taking
- Present Proposals
- Project Advocate
- Account Management
- Account Executive




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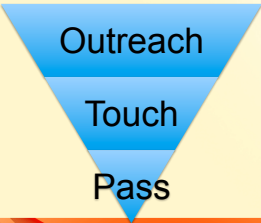
How Do I Pay Sales? 



- Hourly, bonus
- Salary, bonus
- Salary, commission
- Team incentives


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How Do I Pay Biz Dev? 



- Salary, bonus on volume of opportunities by vertical, channel
- Bonus on targeted growth

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Step #3 

- Unleash your best Biz Dev person from project sales
- Raise revenue expectations for Sales team that are no longer managing their own projects.

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How You Pay Affects Outcomes and Results

Some people are not motivated by money...really?!

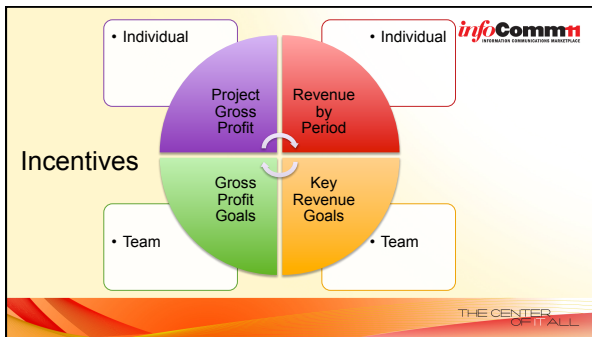
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RT@trstimson: Commission is incentive to sell right products to right customers and profitably. Is yours working? #survive #ic11

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Repair Sales Management 

- Gross Profit as Sold
- Gross Profit as Delivered
- Floors and Minimums
- Milestones and Goals
- Sales Managers can't have personal revenue goals
 - Teamwork is management's responsibility

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Step #4 

- Sales Managers are not salespersons. They are sales leadership and support!
- Sales Managers should not have individual sales goals getting in the way of managing.

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Pricing, Margins, and Commissions 

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RT@trstimson: Apples to apples bids are for wimps. The whole purpose of level field is to showcase your differences #survive #ic11

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Margin vs Markup

Item	Cost	Margin	Sell	Gross Profit	Markup	Sell	Gross Profit
Equipment	\$1,000	25%	\$1,333	\$333	25%	\$1,250	\$250
Labor	\$1,000	50%	\$2,000	\$1,000	50%	\$1,500	\$500
Other	\$500	35%	\$769	\$269	35%	\$675	\$175
Project Total	\$2,500	39%	\$4,103	\$1,603	37%	\$3,425	\$925

Applying markup instead of margin on outside services is NOT scalable!! Sell 39% margin and get 39% gross profit
Sell 37% markup and get 27% gross profit


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Basic GP Incentives


Item	Cost	Sell	Gross Profit
Equipment	\$1,000	\$1,333 (25% margin)	\$333
Labor	\$1,000	\$2,000 (50% margin)	\$1000
Other	\$500	\$769 (35% margin)	\$269
Sub-total	\$2,500	\$4,102 (39% margin)	\$1,602
Commission Floor		A. 30% GP B. 40% GP	\$370 available \$0 available
Commission Level 1	50%	Of amount over A	\$185
Commission Level 2	75%	Of amount over B	\$ 0

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Incentive = Commitment 


- Is salesperson properly incentivized to manage risk for more profit?
 - Or are they paid to take the easy way out?

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Basic Bonus 

- Sell \$ x amount of GP in a period
- Revenue bonus
- Team incentives are usually bonus
 - Commission by project, bonus by period

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Step #5 

- Always sell from COST
 - Even a cost estimate or forecast is better than a pricelist
- Commission sales for what they sold
- Bonus Operations for what they deliver

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Single Points of Failure

How many do you have and what's the potential cost of each?

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Risk vs Reward


- With razor-thin margins you cannot afford any mistakes!
- However, you cannot eliminate *all* risk
- Net profit expectations tied to risk tolerance
 - The lower the risk, the lower the gross profit you can afford to accept

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Single Points of Failure 

- Paper-driven process flow
- Hand-offs
- Kingdoms and silos
- Dependence on “one set of eyes”
- Believing that someone else will catch it

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Integration: FAIL 

- Design reviews
- Scope of work
- Pricing reviews
- Pre-building
- Job site delivery
- Job site time management
- Client expectations
- Ineffective sign-offs
- Change order capture
- Work in progress estimates/billing

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Questions?

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