

Instructor

John Garofalo

John Garofalo has 30 years of industry and consulting experience. Starting out at Southern Bell in the early 1970's, John began his dual career focusing on marketing and leadership development, with stints in sales and sales management, as well as serving as an instructor and manager for their executive Learning center. Throughout his career, John has leveraged these experiences serving as marketing manager for Lennox Industries, as general manager for an HVAC service business in Mobile, Alabama and as operations manager and later President for Encompass Residential Services. At Encompass, he was responsible for 35 acquired business generating \$350 million in annual revenue and \$60 million in free cash flow. John's innovative marketing programs focused attention building sales in the coveted maintenance and replacement markets. Interspersed throughout this career, John has served the HVAC and other industries in a consulting and leadership development capacity, clocking over eight years in this rewarding arena. John is presently a principal of Callahan/Roach & Garofalo, a firm specializing in management development and strategic consulting and training to small businesses, including M&A transaction management.



Unlocking the Potential



UNIT I

QUALITY

Why talk about Quality?



*It is fast
disappearing!*

Perspective



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INFORMATION
POLICY
FORUM



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The Quality Mandate

Worksheet

- ◆ **Describe the environment in which your business now operates. (Environment includes: Customer demands, competitive conditions, manufacturer/supplier factors, state of economy, etc.)**
 - **Customer demands:**
 - **Competitive conditions:**
 - **Manufacturer/supplier factors:**
 - **Economic factors:**
 - **Other factors:**



Critical Question to answer

- ◆ **How do you differentiate your business so that you stand out from your competition?**
- ◆ **What is it that only you do or provide?**
- ◆ **Do your customers say WOW! when they open the door to your serviceman?**

Notice written in 1912



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- ◆ **“I do not consider a sale complete until goods are worn out and customers are still satisfied. We will thank anyone to return goods that are not perfectly satisfactory. Should the person reading this notice know of anyone who is not satisfied with our goods, I will consider it a favor to be notified. Above all things we wish to avoid having a dissatisfied customer.”**

But 26 years



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FedEx

- ◆ **“Overnight regardless”**
- ◆ **But spend \$3500 to send a an overnight envelope that produced \$19.95?**

The Quality Mandate

**Survival means constant
IMPROVEMENT**

**Success comes only if we learn to
SURVIVE**

**Investment in things you don't
CURRENTLY HAVE**

Enjoyment! Is it there?

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**New Motto to hang in
your office-**

**◆ Innovation
means breaking
all of today's
rules!**

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The Quality Improvement Process

- **INDIVIDUAL EXERCISE:** As a Customer, describe what “Quality” means to you. What do you expect?

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- **The Definition of Quality . . .**

Philip B. Crosby's Absolutes of Quality Improvement

Quality Logic Ladder

**Quality = 100 % Conformance
to Customers Requirements.
100% of the time**

Goal

**Performance Standards
DIRTFT**

Method

**Cost of Quality
GOLD DUST**

Measurement



**Prevention, not detection
Improving PEOPLE'S performances**

(Process)

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Conformance to Requirements

- ◆ Whose requirements?



- ◆ How do we determine our customers requirements?



- ◆ What do customer's want
(**R.A.T.E.R.**)

The Five Critical Components of Providing External Customer Value



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Reliability

- ★ The ability to provide what was promised dependably and accurately.
- ★ Customer ?- Can I depend on you to DIRTFT?

Responsiveness

- ★ The willingness to help customers and provide prompt service.
- ★ Customer ?-Can you help me, promptly?

Assurance

- The knowledge and courtesy of employees, and their ability to convey trust and confidence.
- Customer ?-Did I make the right choice?

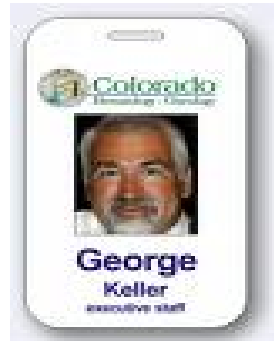
Empathy

- ★ The degree of caring and individual attention provided to customers.
- ★ Customer ?-Do you understand and do you care?

Tangibles

- ★ The physical facilities and equipment, and the appearance of personnel.

The 21st Century Tech



**Your customers don't
have a clue how
technically sound your
tech's are!**

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Performance Standards

- ★ **What are performance standards?**
Written down guidelines.
Methods of measuring minimal acceptable standards.
- ★ **What are some of your performance standards?**
Start times, appearances, pay days.
- ★ **Why do we need performance standards?**
We aspire to our dominant thought.
- ★ **Zero defects**
- ★ **Is it possible?**

Zero Defects

- ◆ Are zero defects possible?
- ◆ Defining a performance standard?
- ◆ 99.9%
- ◆ Roger Bannister



1954

- ◆ Progress, not perfection

Establishing Performance Standards

1. Determine the customer's requirements
2. Determine where you are now regarding those requirements
3. Decide where you want to be regarding those requirements (The "Performance Standard")
4. Define the problems that keep you from being where you want to be
5. Measure (in dollars) the size of the problems
6. Determine solutions to the problems
7. Set a reasonable time period for meeting the standard
8. Train, train, train
9. Make the standard visible
10. Measure progress
11. Recognize and reward



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UNIT II

FINANCIAL

STRENGTH

Are you Paying Attention?

- | | |
|--|-----|
| 1. Do you have an annual budget? | Y N |
| 2. Do you know your break-even volume? | Y N |
| 3. Do you have a formal job cost system? | Y N |
| 4. Do you receive monthly financial statements? | Y N |
| 5. Do you use a purchase order system? | Y N |
| 6. Do you have a consistent pricing policy? | Y N |
| 7. Do you know your service department overhead? | Y N |
| 8. Do you project your cash flow needs? | Y N |
| 9. Do you have an adequate line of credit? | Y N |
| 10. Are you satisfied with your company's profitability? | Y N |

❖ **For every \$100,000 of volume, each “no” answer represents \$1,000 of lost net profit.**

Example:

<u>1,200,000</u> (12)	X	<u>5</u>	X	<u>\$1000</u>	=	<u>\$60,000</u>
Volume (units)		#of No's				Lost Profit

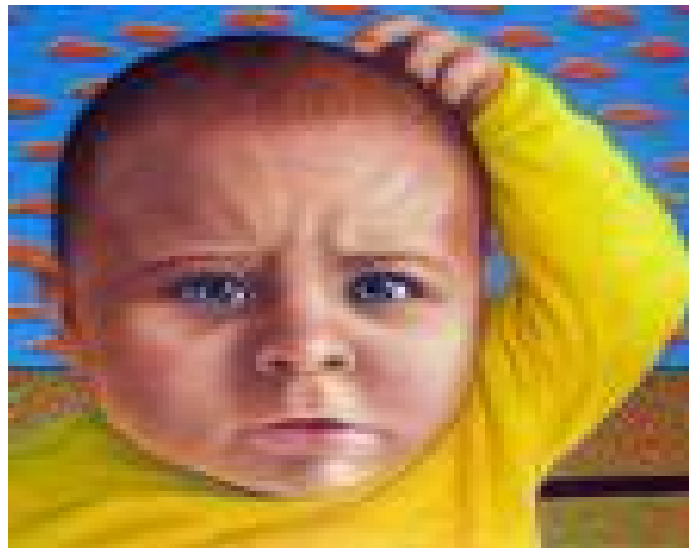
Lets tell it like it is-----

- ◆ P & L's, even 100% accurate ones are a **HISTORY** report. Once you get it you have two choices-





Too often P & L's are



WHY?

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I HAVE FOUR ENGINES



But only ONE Tachometer

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Developing Your Financial Statement

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Gold Dust Scenario



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Handout

Sample Income Statement and Overhead Pro Forma

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