

Episode 26 - Don Harris - Don's Directives [00:26:19]

Intro: Welcome to Profiles In Prosperity with your host David Heimer.

David Heimer: Hi, this is David Heimer. Welcome to Profiles In Prosperity. It's a great pleasure today to have Don Harris of Dependable Services join us. Don's been in the HVAC business since 1970, when he started his business as a part-time gig when he was in college. After graduating with a degree in mechanical engineering, he decided to continue building his own business, rather than work for someone else. 44 years later, he successfully transitioned the business to his son, Brandon. Don is a smart guy and very thoughtful about business. I have found him to be perfectly willing to discuss his many successes and his setbacks. With Don, you get this tremendous mix of intelligence, insight, experience, and willingness to share. All of that makes him a fascinating guy to talk with and someone who can provide great value. So I'll have a few questions for Don, and then I'll ask him to step us through Don's Directives, which are his rules for business. Don Harris, welcome to Profiles In Prosperity. Tell me, how did you get into our industry?

Don Harris: Oh, Thanks. I'm glad to be here, David. And I'm looking forward to our conversation today. I got into the business back in 1970. It was summer, so it was maybe April or May. I was in college, I think I was in my second year, and my dad worked for a manufacturer that made some gas air conditioning equipment. And they were having some issues with that equipment. And he wanted to know if I would like to come along and be a subcontractor for this manufacturer, and learn a little bit about gas air conditioners. And see if I couldn't give them a little help during the summer as they were having these problems. So I said, sure. I love working with my hands. I was going to school for mechanical engineering. So it kind of fell right into what I was pursuing anyway.

Episode 26 - Don Harris - Don's Directives [00:26:19]

So I said, yes. I would love to have the opportunity. So I went to the manufacturer, got some training, learned how they worked and what kind of problems they were having. And so that's kind of how I got into the business. I went ahead and set up a business and started working during the summer time, specifically on gas air conditioners. So I cut my teeth on the ammonia systems. And so I continued that for about three years while I was going to school. I really didn't concentrate too much on work during the winter because I made enough money during the summer to kind of get me by the winter and I didn't need a lot anyway. So I just continued to pursue that interest throughout the next three summers. And then when it came time for graduation, I had to make a choice. Either I need to go with a large corporation and sit inside designing HVAC systems and commercial buildings and duct work and that kind of stuff, or either continue what I was doing with the gas air conditioners. So I made the choice to jump in as an entrepreneur and see if I could make that a full-time job.

David Heimer: Good for you. And years later, you can look back on it and say it was a good choice, right?

Don Harris: I think it was a very good choice for me, anyway. There were a lot of opportunities in front of me, so I said, yes, let's give it a shot. And it turned out to be very, very good for me.

David Heimer: So skipping ahead, years later - I think I've got the year right - you retired pretty much from the business in 2014. Is that correct?

Don Harris: That is correct. Yes, sir.

David Heimer: And tell us, how did you exit the business?

Episode 26 - Don Harris - Don's Directives [00:26:19]

Don Harris: Throughout the years during business, I had a son and a daughter and of course, as I was getting older, my son was going to college. He was taking information sciences and computer stuff and was looking to get into that industry. But again, he wanted some part time work during the summer, so he kind of came alongside me and said, okay, can I help you out during the summer? Doing whatever you'd like me to do. But he had always told me that he really didn't want to get into the business from an ownership standpoint or being a manager in it. He had seen all the time that I had spent in the business and actually became pretty much of a workaholic. And so there were a lot of times that I missed, you know, his sports events or events at school and that kind of stuff, because I was so deep into the business, that was my 24 hour a day thing.

So I missed a lot of his things growing up. And with that, he saw the kind of time it took to run a business and he said he never wanted to be in the business. But he needed some money and some work during the summertime so he did come alongside and did a lot of different things, from delivery to {inaudible 04:32} maybe going on some service calls with some of the guys or some installs. So he learned a little bit about the business. And after a few years he said, well, you know, maybe this is not as bad as I thought it was. I might be interested in learning about the business and maybe getting a little more involved in it. So at that time, I told him what I'd really like for him to do is learn business techniques, managing people, and working with people.

And I told him, I didn't really care if he ever touched another wrench or not. As long as he learned how to work with people and manage people, he could find the people to turn the wrenches. So I wanted him to devote his time to honing his management skills and those kinds of things. So he started doing that and then eventually in 2014 - it really wasn't planned for that particular year - but I had a severe motorcycle accident and it put me on my back for about 12 weeks where I couldn't do anything. So he kind of came

Episode 26 - Don Harris - Don's Directives [00:26:19]

in and ran the business, and it turns out that was one of our best years ever. So I said, okay.

David Heimer: You did a good job training him.

Don Harris: So I said, I'll let him have it. So we worked out a deal where he took over ownership in 2014 and I was just alongside as a consultant and an advisor, if you will, for the business, and I started backing out from the day-to-day operation.

David Heimer: And so what's your involvement at this point in time?

Don Harris: At this point in time, we'll talk a couple of times a week. We have two scheduled calls that we'll get on the phone or a zoom call, you know, face-to-face, and we'll talk about issues. We'll look at financials if that's what needs to happen, or if he's got an employee problem, we'll discuss that. So I'm really there just as an advisor. And I will say that it's gotten less and less over the last couple of years. Initially in the beginning, I was there probably once a day just checking on things and probably got my nose in where I shouldn't be and offered advice where I shouldn't be. So I've learned that the business is now his and I've got to let go of it. That was tough. And it probably took me two or three years to really get to the point where I am truly just an advisor and a consultant for him now. And when it comes to making decisions, he can take my advice or he can take what he feels is right. And we don't run a business in the same ways, but he's been very successful and so I'm letting him do it the way he needs to do it.

David Heimer: So how does it feel now? You said it was kind of tough and I can see that. It's your baby. It's been a big part of your life since you were in college and you grew it, nurtured it, saw it blossom, and turned it over to your kid. It's a little tough

Episode 26 - Don Harris - Don's Directives [00:26:19]

probably at that point to step back from it. But at this point, does it feel good or is it still kind of like there's a little place in your heart that's empty?

Don Harris: Well, I think there'll probably always be a little place in my heart. But it is satisfying to be able to step back and see him run the day-to-day operations. As I mentioned, he doesn't make the same decisions that maybe I would make, but it works for him. So I've learned to accept that. You know, early on in my career, it was my way or the highway. But I've kind of mellowed over the years and found out that, you know, there are some other ways that a business can work, and I've become open to that and sensitive to that. So it's been very satisfying to sit back and see the transition take place.

David Heimer: Yeah. I mean, a large number of contracting businesses just don't survive, and an even smaller number get passed on successfully to the next generation. So congratulations to you. That's a fabulous story. So you developed your list of Don's Directives. I'm anxious to hear this. This is going to be good stuff. Talk us through these.

Don Harris: Okay. So these things are a list of things that as a business owner, I think you really have to look at and have to implement into your business. And once I retired from the day-to-day operations of the business, I started thinking, well, I can probably give back to some other businesses that may be struggling or having some financial difficulties in different areas. So I decided to kind of go out on the consulting and advisory kind of format. And so not only do I do it for Brandon, my son, but I also do it for several other businesses specifically in the appliance industry. Because part of our mix of business is heating, air conditioning and appliance repair and commercial restaurant equipment with the cold side and hot side of that service.

And so I felt like I had something to offer some of these other businesses. So I just

Episode 26 - Don Harris - Don's Directives [00:26:19]

started doing some consulting with some others, and I just kind of developed these things as I've been going through them. And as I said earlier, it's just things that you've got to know as a business owner. And the first one - and for me, the most important and primary one is knowing your numbers. This means taking your P and L's, your balance sheets and your cash flow statements, and really looking into those and analyzing them and seeing what they're trying to tell you. And not wait until the end of the quarter or end of the year to really get things from your account and then what's the bottom line and see whether you made money or not. But really start analyzing what's in those numbers and what they're telling you. You know, from your accounts receivable on your balance sheets, you can take a look at your cash statements and see where your money has gone.

I can't tell you the number of business owners I've talked to and they say, I made plenty of money, but I don't show that I made any profit and I don't know where the money went to. And that's simply because they're not looking at their numbers on a consistent basis to really know what has happened there. And so the more often you look at them, the better chance you have of being successful and making the changes from month to month, as you need to, and not waiting until it's too late and you're having to close the doors. So knowing your numbers for any business owner is absolutely the most critical thing to do. The second one, and it depends on what kind of business you're in, but each business has its own unique KPIs. And these are key performance indicators that will give you a little insight as to how your business is tracking. Are you staying on track? Is it slipping a little bit? Do you need to adjust a little bit here or there? And these can be numbers that you look at daily, or it can be numbers that you look at weekly or even monthly. But just three to five KPIs in your business can make all the difference in the world and really guide you to make changes that you need to change in your

Episode 26 - Don Harris - Don's Directives [00:26:19]

business to make it successful.

David Heimer: Before you go onto the next one, I wanted to go back for a second on knowing your numbers, and you may have said this, but I think I missed it. You said that, you know, you've got to understand the profit and loss, the balance sheet and the cash flow. What's your advice on how often people should get that information? And how long should it be after the close of a month or a year, or how long before they get their numbers and look them over?

Don Harris: So there's no reason that each business owner should not have his numbers from his account, or whoever's doing his bookkeeping, by the 10th of the month. I would highly suggest that as a business owner, you learn a little bit about QuickBooks. And if you know how to run the reports in QuickBooks and your account has been up to date with inputting the information on a daily basis, you should be able to go in on the first of the month and start looking at your numbers. But absolutely without a shadow of a doubt, you should have had them by the 10th of the month to see what happened that previous month and see if there's anything that's just going a stray there. So the third one I'm talking about here is what you focus on, grows. And I found this to be very true in my business. As I said earlier, we had heating and air conditioning, we had appliance repairs, and we had restaurant equipment.

And inevitably, what would happen is, it would be one section of the business that would start to decline or struggle a little bit. And so as the business owner, I would kind of jump over into that department and kind of see what's going on and start jacking it up. And then all of a sudden, that department would start growing a little bit. The downside to that is that when I focused on another department that means there were two other departments over here that was kind of losing my focus and then they would start kind

Episode 26 - Don Harris - Don's Directives [00:26:19]

of tailing off. So I learned, probably not soon enough, but I eventually learned that whatever I'm focusing on, whatever I'm putting my attention to, is really the department that is going to shine and the numbers come up, profits get better and that kind of stuff. So that was a big aha moment for me, trying to keep my focus on things that I needed to that would help each department.

The next one I've got here is ordinary things consistently, produce extraordinary results. And this is one I put in here because as entrepreneurs, we can get easily distracted by other things to put our time into. And we see somebody, maybe it's plumbing, and we see them doing very well in there. And you've got this heating and air conditioning business and all of a sudden, you say, okay, I want to open a plumbing department. And it draws you away from your HVAC business, you start putting time and effort into that. Just like the thing I was talking about earlier, what you focus on grows. When you start looking into that plumbing department, it starts affecting your HVAC. So whatever business got you to where you are today, you need to consistently keep doing, keep plugging away at whatever you're doing right there. And when you look back at it, 20, 30 years later, you're going to see the results of you just consistently doing ordinary things within your business. Watching the numbers, keeping track of what's going on, and before you know it, you'll look back 30 years later and say, man, I never thought I would be where I'm at today in this business.

And that was kind of what happened to me. You know, I look back 40 years ago and say, wow, things have gone pretty well. God's really blessed me and the business has prospered. And it's just by continually offering quality service, continually keeping things up to date; training, whatever it may be, just consistently doing the things you need to do to get your business better day in and day out. And by the end of the time you get ready to retire, you'll be surprised at what you'll have. And the next thing, most owners

Episode 26 - Don Harris - Don's Directives [00:26:19]

in HVAC and appliances and restaurant equipment service industry are in business because they were good at fixing whatever it is they were working on. Whether it's heating and air conditioner, appliance, etcetera.

And they didn't know that much about business, but they decided to have the entrepreneurial bug and jump in. And so they started the business. And so they're working in the truck, they're doing installs, they're doing service and maybe they have somebody back at the office taking calls, or maybe the calls are forwarded to their cell phone or what have you. And so as you try to grow the business, you have to be in the field initially. You kind of get your boots on and get in there and get dirty with it and learn what's going on. But you have to start figuring out a way to get out of that truck, back into the office and start looking at your numbers and start managing the business. And eventually when you probably get to maybe three to five techs, you're going to have to come out of the field totally and manage the business day-to-day.

If you want to successfully grow, you're not going to be able to stay in the truck and try to get service or do installs, and then try to come home at night and try to manage the business. It's just going to kill you. It's going to burn you out. So you've got to figure out a way to get out of the truck and into the office and start learning how to manage that business. And it's not going to happen overnight. It's going to be a process. It may take you a couple of years, maybe three years to get to the point where you can totally get out of the truck. But you'll see that as you learn more and more about the business, learn more and more how to manage your employees, the more successful you're going to be, and enjoy the business much more than just being in the service vehicle 24/7.

David Heimer: Was that one that was hard for you?

Don Harris: It absolutely was. I said earlier, I loved working with my hands. I love fixing

Episode 26 - Don Harris - Don's Directives [00:26:19]

things and seeing the end result. And that's easy to accomplish with mechanical equipment. That's not so easy when you're working with employees and dealing with relationships with the employees and all that kind of stuff. So it was hard for me. And it probably took me two or three years to really make it happen. I'd come out of the field for a while and work in the office and figure some of this stuff out. But then as soon as the phone rang and somebody needed something in the field, I jumped in the truck and headed out there. And so the field was my comfort zone. The office was not. And I had to figure out how to make that transition happen. And like I said, it took two or three years of moving into the office and back into the field, into the office, back in the field and finally being able to stay in the office full time so I could really work on the business instead of in the business.

So the next thing that I like to tell the guys that I work with is you can't do it all yourself. This kind of follows the same format of getting out of the field and into the office. You've got to start trusting the people that you hire to do the things that you need to do in the field. And as you grow, you're going to have to have people that you can delegate things to in the office, or it may be even outsourcing to another company, maybe in your accounting or your HR resources and those kinds of things. But you have to delegate. But the key to delegating is not just delegating and letting it go, but you've got to delegate and follow through. You've got to continually inspect what you expect.

If you don't follow through and inspect it, then there are things that are going to happen that are going to catch you off guard. And all of a sudden, a month, two months, six months later, you think things are going smoothly and all of a sudden you find out all this time, something went wrong and it could have been corrected early on if you had just done a little inspecting and following through. And then the next one is departmentalization. As I said before, we had really three distinct departments in our

Episode 26 - Don Harris - Don's Directives [00:26:19]

business. And you remember when I was talking about what you focus on growing, that's where the departmentalization can really bite you in the butt if you're not focusing on it. And so really what you have to do there is, as the department gets large enough, you have to find somebody that can manage that department. And make them accountable for whatever goals are for that particular department.

Each department absolutely has to stand on its own. You have to make sure that each department is profitable within whatever parameters you set up. And if it's not, hold that department head accountable for that particular department. But you also have to give them the authority to run the departments so they can be profitable. You can't micromanage them. You've got to give them the freedom to manage it the way that they manage things. Because they are probably not going to manage it the same way you would manage it. But you can work together and get those management skills honed for that department head and get them really {inaudible 19:43}. The real key to it is don't let one department subsidize another department. I mean, what I'm saying here is don't be maybe in a service department, subsidizing what's going on in installation departments.

Anytime you have something crossing between one department or the other, you really need to set up some kind of a billing mechanism so that if the service department is going to go out on a call for an install that you just did, well, then the service department needs to be claiming revenue from the install department for that service call. They don't need to be subsidizing the installs so that it looks like the service department's not doing well and the install department's doing extremely well, because they don't have any costs for warranty calls or anything like that. So you have to be careful with that right there and make sure that each department stands on their own. Does that make sense?

David Heimer: Yeah. That makes perfect sense. And by doing this, back to your point

Episode 26 - Don Harris - Don's Directives [00:26:19]

about focusing, you actually have someone focusing on each segment of those businesses, and that means you don't have to turn your attention to it as much. And if you turn your attention to one place, you know it's not going to slip in the other departments because there's somebody there whose job it is to make those departments grow. Do you typically like some kind of performance bonus for those managers that are the head of those departments?

Don Harris: Absolutely. That's something set up. So if that department is profitable, they get some kind of sharing bonus or sharing incentive or something like that, where they share in the profits. And so the better managing they're doing in that department, then the better their pocket book feels at the end of the week or the month.

David Heimer: Yep. It gets our goals aligned with the goals of the business.

Don Harris: Yeah, absolutely. And each department needs to have its own goals and work together as a company. But yet focusing on what their department is supposed to do. And then the last thing that I kind of talk with my clients about is, the more you grow, the more systems and processes you have to have in place to sustain growth. And typically it's about a person running with one or two guys who can probably make up to around 500,000 a year in revenue and still have his hands in everything and be able to control things. But as he starts getting past that, starts coming into the office, then you're going to start having to implement systems and processes. So everybody is working on the same fields or same area and they know if this particular situation comes up, this is how it's going to be handled. And then you hit the million mark then you're probably going to have to add more processes. And then again at around 2,500. So the larger you grow, the more systems and processes you're going to have to have in place to make the business grow successfully.

Episode 26 - Don Harris - Don's Directives [00:26:19]

If you don't implement processes, you're going to be bogged down with making all the decisions and everybody coming to the owner for every little decision that has to be made. So you need to develop systems and processes so that not only each department manager knows what to do, but each CSR knows what to do and each technician knows what to do on a service call, so that everybody's doing the same thing. It's kind of like the processes that McDonald's has in place. No matter what McDonald's you go to, you're going to get the same kind of hamburger. You're not going to get unexpected results. And so it's the same thing in your business. If you can train your technicians and you implement processes that when they go on a service call, each and every technician is greeting the customer in a certain way, they're asking them basically the same questions.

And it's very similar to what Joe Cunningham does with his perfect service call. The customer is getting the same results day in and day out, no matter what technician shows up. So again, to know what to expect from your company. They know what kind of quality work that you're going to do, that you're going to be there if they have an issue and you're going to come back and you're going to remain in business year after year, because you've got these processes and systems and they're getting the same answers from everybody throughout the company. There's no surprises. And the biggest value to this right here, having systems and processes, is if you decide to sell your business, investors want systems and processes, they buy systems and processes. They don't want a badly run business where they have to jump in and figure all the systems and processes out. If you've already got them in place, that makes your business more valuable at the end of your time when you get ready to sell the business.

David Heimer: Yep. Good point. Don, this is fabulous stuff. I really appreciate you

Episode 26 - Don Harris - Don's Directives [00:26:19]

sharing it with us. So much easier to go through this stuff and hear it from you than have to learn it all on your own, you know? If one of our listeners wanted to get hold of you, what would be a good way for them to contact you?

Don Harris: My cell phone would be the best way, and it is 770-480-0549. They can also go to a website where I do the appliance consulting and contact me that way as well. And that is www.applianceservicesecrets.com.

David Heimer: applianceservicesecrets.com?

Don Harris: Yup. The phone number again is 770-480-0549.

David Heimer: Alright. Well again, Don Harris, thank you so much for doing this with us. It's invaluable information and I know that the people who listen to our podcast are going to get a lot out of this. So thanks again and congratulations on building such a fabulous company and being able to pass it on to your son. That's a great story.

Don Harris: Thank you very much. It's been an honor chatting with you today David.

Outro: We're always looking for good ideas and interviews for our podcast. If you have an idea or maybe you think you should be interviewed, just shoot an email to profiles Prosperity@serviceroundtable.com. That's profiles Prosperity@serviceroundtable.com. If you think what we're doing has any value, it would be very helpful if you would give us a great rating on iTunes. Thanks for your support. Hope to see you again soon. Bye.