

Feature



Dr Jim.

About twenty years ago, Dr Jim Penman, PhD, was mowing lawns for a living in and around Blackburn Lake, close to where he lived in Melbourne's eastern suburbs.

A practising Mormon, Jim bequeathed 10% of his weekly income to his church, regardless of how well the business was travelling.

"I remember when we were flat broke at the end of many a week and I couldn't afford the 10%. There were many times when I really did not want to give it. But I did. Often I prayed at the end of our garden for assistance from God. I always managed to survive until the next week."

Jim Penman 1986

No longer a Mormon, these days Jim presides over a company which turns over more than 70 million dollars each year, with franchisees in all states of Australia, New Zealand, Canada and North America. The company has in excess of 1,200 franchisees, making it the largest lawn mowing franchise in the world. And in the process, it could be said that the Jims Group has become the first of many empires to be built rising out of the explosive growth in the home services industry.

By Andrew Molloy

"It was two weeks before Christmas 1982; I was 30 years old and a failure. I had failed in my academic career. Not only were there no job prospects, but after eight years of work my PhD thesis had been rejected. Now my business had failed. I lost my house and was saddled with a thirty-thousand dollar debt.

All I had left was my Kingswood... a small trailer and a mower and brushcutter on their last legs".

So begins the story of Jim's Mowing, a multimillion dollar, international service business based in Melbourne with 1400 franchisees, a staff of 20 and turnover of \$70 million a year.

The Jim's group is owned and run by the compact, bearded, uniform wearing, obsessional Dr Jim Penman. A man with a million ideas, two ex-wives, one current wife, seven children and a plan to change the world.

Dr Penman is a radical, fascinating, driven character - a maverick with the money and the skills to implement some of his less controversial ideas and occasionally the public platform to advocate many of his more radical notions. He is also a mass of contradic-

tions.

His heroes include the Victorian Premier, Mr Jeff Kennett, the Federal President of the Australian Labor Party, Mr Barry Jones, the author and broadcaster, Phillip Adams, and the theoretical physicist, Stephen Hawking.

He is a believer in industrial democracy and that he must be a benign "consultative" dictator for his business to succeed. He has joined his local branch of the Liberal Party but has no plans to go into politics. He calls himself a "Kennett Liberal".

Dr Penman is proud of his achievements, including the multimillion dollar business, his seven children and his philosophy doc-

torate in history, but he insists he is not a success story. In fact he won't see himself as a success until he has changed the world in some significant way, and perhaps not even then.

Thirst

His thirst for expansion and public recognition is much like the thirst of the gardens from which he makes his living - never ending.

Everything Dr Penman does is aimed at having an impact on someone - whether it is improving the lot of his franchisees or bending the ear of Australia's leaders through his presentations and the media. He is obsessional about it. From his earliest days he has been driven by his desire to change and improve society.

Jim Penman, 46, was born in England to an Australian mother and grew up in Adelaide and Sydney before he moved to Melbourne at 14 where he attended Melbourne Grammar and then La Trobe University.

His current position is a long way from the days of his youth when he would spend hours sitting in a beanbag reading science fiction and dreaming of becoming a writer.

He is a great believer in procreation and has seven children by conventional means. But he thinks he has at least another four children from his activities as a sperm donor. He has told the sperm bank he doesn't mind if any of his anonymously fathered children contact him when they grow up.

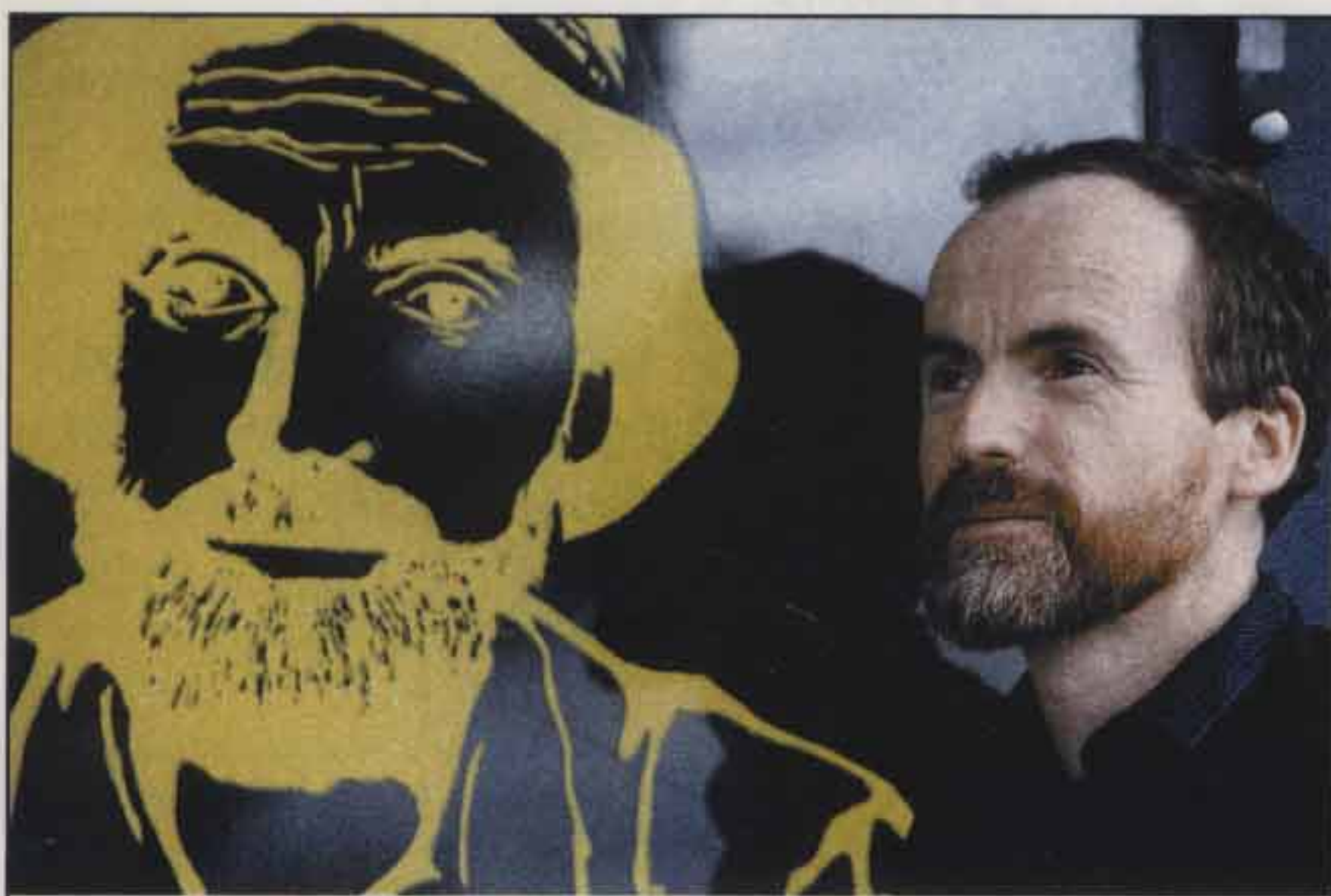
As a young man with no obvious employment opportunities, Jim saw the creation of his lawn mowing business as his path to recognition. His motivation in those days was to get on a radio station, any radio station, and have people listen to what he had to say.

Manuscript

In his latest, unpublished manuscript, he writes: "Mr great obsession in those days was research work. I lived it, I breathed it, ate it, thought about it all the time.

"I was developing a theory of society that started with history and gradually extended into anthropology, psychology and zoology.

"I saw tremendous potential in my ideas to cure poverty and drug addiction and many other ills." He still does.



Dr Jim Penman, the man behind the Jims Group of service companies, with the logo that helped to make his company famous around Australia

He believes that by manipulating a person's biochemistry, using chemicals, he can control the way people behave and he believes it can be done by placing a "pest strip" in a person's bedroom. The strip would release pheromones to change the person's behaviour or physiology.

Naturally this theory does not go down too well with too many people.

He argues his is not a Nazi approach. "If you have something like a fascist system arising and you understand the biochemistry you can say we've got a real problem here and we need to adjust the biochemistry so people have a sense of conscience, of right and wrong", he claims.

Many years and many radio interviews later he sits on a large purple ball in front of a computer screen in the middle of his open-plan Melbourne office and runs an international, multimillion dollar business from the foot of the Dandenong Ranges.

To him it all makes perfect sense. The ball forces him to improve his posture and ease his back condition and the computer is the natural tool for efficiency in business and to model the societies he hopes will one day be the norm.

As he gets older his ideas have become more complex and more firmly entrenched - and so has he.

The business, Jim's Mowing, has blossomed into Jim's Cleaning, Jim's Dog Wash, Jim's Car Cleaning, Jim's Fencing and Jim's Trees. It has grown 40 percent in the last two years and shows no sign of slowing down.

Part of the reason for the his success is that gardening is seen as an honourable profession in Australia and he is able to attract high-quality franchisees who can make good money.

Service Industry

Jim's is part of the \$30 billion franchise sector in Australia that is growing rapidly as the service industry, in its many forms, becomes more and more significant to the economy.

Incentive driven concept could assist society



Dr Penman employs a system of incentives to ensure his franchisees offer clients a good service and help him grow the business.

"This business has succeeded because we create incentive at the ground level. We give business to somebody which is their own business; not only that but we provide incentives within the system.

But by using the right kind of incentives what we have done is create something in a very, very cost-effective manner. It is providing incentives at the lowest possible level for people to do the best possible thing by their clients", he says.

Dr Penman is such a believer in incentives

that he says it could work to solve many of the world's more intractable problems.

"The thought that occurred to me was how you can use the same incentives to create the public good. You get the aims of the corporate state, the welfare state but you use the methods of free enterprise", he says.

Prison incentives

An example he uses is the prison system. He would apply hefty bonuses or penalties to the prison operators based on how their "graduates" do.

How the Jims empire was first built - and how it now operates

How has Jim managed to establish such a large business in a short space of time? And has his success translated into success for those who purchase franchises from him?

There are probably two reasons for the phenomenal success and enormous growth of his group. Firstly, Jims Mowing was one of the first service companies to franchise, meaning that he was involved in an industry that was growing very quickly, and in a position to take advantage of the high interest in franchising as a business concept.

In the early days, he had a well deserved reputation for being extremely hard on his staff, often admonishing them harshly if they so much as messed up one call out of the hundreds they may have received in the one day.

His obsessiveness with customer service forms the backbone of his business today.

Secondly, Jim himself is fanatical about service. Fanatical. Even when the company was a one person operation, he insisted that all customer enquiries were responded to, in as fast a time as possible.

Apart therefore, from being in a service industry when they first became popular and in a position to franchise his organisation at a time when franchising was also just starting to become popular, there is no real secret behind the success of the Jim's group apart from the unusual personality of the man behind its phenomenal growth, Dr Jim Penman.

Early days

The business developed from Dr Penman's (the founder, owner and operator of the group) habit in the early days of establishing a gardening round with regular clients and then selling it to someone else and starting again. This was a way to make a living, but not the way to build a business. As he built up one round, he would sell it and then concentrate on moving on to the next one. His business was seasonal and therefore fluctuated alarmingly between winter, spring and summer and this caused great strains on his cash flow during the early years.

Jim initially believed in the concept of local service companies supplying a local service market. He felt, and quite rightly, that most people would prefer to use a local rather than calling someone from the other side of town. With this in mind, he set out to establish a network of local telephone numbers which would all be diverted back to a central location. Customer's would therefore believe they were calling a local, as opposed to someone who lived elsewhere. This enabled Jim to control his operation. Even though he employed con-

tractors from different parts of Melbourne, his office controlled both the calls coming in and the work flow. The process of diverting calls from many different suburbs involved placing diverter machines (manufactured by an Australian firm in Ferntree Gully) in different locations around Melbourne. Often they were placed in peoples' garages or spare rooms and Jim paid an annual fee to homeowners who housed the machines in their homes.

His system of establishing local numbers re-routed back to a central location was one of the core reasons for the success of his company. Although consumers have now more readily accepted large organisations involved in the service industry (as Jims itself now is), in the 1980's the local concept was proved to be extremely successful - and Jims Mowing took full advantage of the fact.

Advertising

Jims Mowing predominantly relied upon local paper advertising and local letterbox drops, which he used to push out by the tens of thousands each week. His advertising bill was enormous. In later years, he was one of the first to invest in Yellow Pages advertising and in typical Penman fashion he thought big and bought the largest ad it was possible to buy.

Staff

In the early days, he had a reputation for being extremely hard on his staff, often admonishing them very harshly if they so much as messed up one call out of the hundreds they may have received in the one day. His obsessiveness with customer service forms the backbone of his business today.

Penman's first wife (he has been married three times), Felicity, was responsible for the day to day running of the office they maintained in a bungalow at the rear of their house in Wolseley Crescent in Blackburn, while Jim looked after the contractors.

The business grew enormously during the mid 1980's and the company experienced all of the difficulties that all service industry participants experience as they expand their business. In the early stages, most service operations commenced in business with the founder completing the work him or her self. Jim was no different. Once the business started to grow, the trick was how best to emulate your own performance. Expecting others to perform to the same standard as the proprietor has been proved to be unrealistic - hence the rise of the franchise concept where each 'employee' was actually self employed and responsible for their own destiny.

The success of the company today stands as testimony to the successful transition that Jim made. While the service sector is riddled with failed companies which have not managed to cross over from single operator to multi employee/contractor set ups, Jims Mowing is not one of them.

Jim eyed other service company's with envy

Beside handling phone calls from customers, one of his major concerns was the low cost and therefore low profit of lawn mowing. "It's great," he would remark, "that I can have a regular customer and

keep them by supplying good service. That's a saleable commodity. But, with each cut only being worth say around \$15-\$30, it takes a lot of cuts to make a decent living." And his interest grew in other service type businesses that displayed higher per job profit margins and turnovers to the extent that he attempted unsuccessfully to enter the carpet cleaning industry in 1986.

Despite the good intentions, he failed to realise the differences between a carpet cleaning operation and a lawn mowing business. Simply, with one, anyone could cut a lawn - and if they messed it up, well, in a couple of weeks, it would have grown back again. Not so with carpets. Firstly, it proved easy to ruin them and secondly, they didn't grow back!

Inter company cross selling

Jim believed then, in a forerunner to his current business, that each customer could be cross sold additional services. He rightly surmised that consumers would prefer to deal with one company providing a myriad of services as opposed to having to call in several different contractors to perform different tasks in the home. He embarked on incentive programs for his customers when they purchased a service from another sector of his company. A discount was applied across the group for additional work within the group.

While it took a while for this concept to gain consumer approval, the current dominance over the Australian service sector by multi faceted companies like Jims, or Cheap As Chips, are examples of the success of the cross selling concept.

After several years of building up rounds and then selling them, of fretting about staff and business upturns and downturns, he came across the concept of franchising, which at first glance, appeared attractive. A chance visit to a franchising show convinced Jim that he needed to do something quickly before his major competitor took away his hard earned market share. VIP Home Services were planning a move to Melbourne.

Present day operation

Fast forward to 1998. In around ten years, the company has prospered to such an extent that it is now the largest company of its kind in Australia and has been described as the largest lawn mowing company in the world. Anybody who reads Dr Penman's work and listens to what he has to say could, theoretic-

cally, establish a business along similar lines and compete with him. He acknowledges the potential for growth is enormous and that he only accounts for 10 percent of the market.

Franchisee advantages

Dr Penman, and franchisors generally, sell an operating system which is designed to decrease running costs for the franchisee, keep them fully employed and give them the business muscle they would lack on their own.

The advantages for the franchisees under a well organised, well managed franchise system are numerous and range from a homogeneous, easily identifiable corporate image to

ness with financial penalties attached if they have lost clients, or a bonus if they grow their franchise compared to the mean increase of the other franchisees.

If they stay, they can move up the corporate ladder and take on employees of their own, become trainers and even go into the management side of the business by becoming area managers or even take on regional franchise rights.

The Jim's system is not for everybody and the incentives and penalties component is often confusing for franchisees. One former franchisee, Mr Mike Womersley, left Jim's three years ago after a three year association.

These days, Jims Mowing uses the "surplus/shortfall" concept of providing incentives for performing franchisees and penalties for non performing ones. This concept is, according to Penman, the backbone of his operation. And in that sense, the Jims Group is fundamentally different to other traditional franchise organisations. It could just be the reason for his long term and continued success'

cheaper deals on insurance and running costs.

The franchisees should get an efficient, well-run office, discounts on equipment and stock and a support network to cope with good and bad times and good promotion.

Dr Penman has designed a system that aims to keep administrative costs at a minimum, that offers a complete back-up service for his franchisees and one that offers incentives for growing the business.

He believes the secret to his success is the quality of his franchisees and his system which he has honed over many years.

Many of his potential problems are removed by his extensive vetting program. Potential franchisees are interviewed, screened, taken on the road by two of his trusted operators, trained and then monitored to maintain the standard of service.

Incentives and Penalties

Franchisees were once even allowed to resign from Jim's and take their clients with them with no penalty, although this has since changed. Now they must sell the busi-

ness. His initial investment was \$22,000 which gave him a mowing round with 75 clients, and about \$4,000 for his 'Jim's' trailer and mowing equipment.

But it appears Mr Womersley fell foul of the shortfall/surplus system which rewards those franchisees that grow their business but penalises those that don't. Mr Womersley wanted to remain a single operator with no employees and resented the \$400-\$500 a month he had to pay in fees to Jim's.

But he is not bitter and still recommends Jim's. He says Dr Penman is a "genius" who knows what he is doing and concedes he "lost all those wonderful benefits" such as equipment, repair, insurance and communications discounts when he left. And he says his experience with Jim's taught him a great deal about running a business and how to charge clients.

Perhaps one of the most enlightening comments that can be made about the company is, that the man behind it is a doer. Many franchised organisations are started up with the specific aim of selling franchises. The fact that Jims started from the other angle explains a lot about why it is the success today that it is.

New rules for franchising in Australia

The franchise sector of the Australian economy is now estimated to be worth about \$30 billion dollars a year and has come under close scrutiny from the federal government.

The old joke: 'What is a franchisee? Somebody with \$50,000 and a pulse' is well known within the industry and gives an insight into how unscrupulous some franchise operators can be.

The explosion of the sector and the steady stream of tales of woe from people who have lost their money with little recourse for action has seen the introduction of the mandatory Franchising Code of Practice.

The new code includes improvements to franchisor disclosure requirements and promotes alternative dispute resolution procedures.

Under the Trade Practices Act franchisees will be afforded better protection with the mandatory code giving them legally enforceable rights at no cost.

The federal minister for Workplace Relations and Small Business, Mr Peter Reith, says "the Mandatory Code for the franchise sector will require potential franchisees to be given full disclosure and information before they sign a contract, and captures those franchise systems that have sought to place themselves outside industry standards of conduct".

"I think we could change the entire culture of countries with what we are doing. It could apply to police and solving unemployment", he said.

Govt regulations

The recent explosion in franchises has forced the Federal Government to investigate the industry and introduce new regulations aimed at protecting franchisees from "unconscionable conduct" by franchisors and to introduce protection for franchisees.

Dr Penman believes the changes are "not relevant" to franchisees and he would like to see a system whereby potential franchisees can go to a central body and get a free report from a franchise law expert. The franchisor would bear the cost of this centralised system.

Of the new regulations he says: "It is designed to keep lawyers and bureaucrats employed".

Failed enterprise lost \$1m

Another of Dr Penman's great dreams had been the creation of an environmentally sensitive, \$15 million tourist resort at Marysville, near Healesville just north-east of Melbourne.

At the time Dr Penman claimed the four star resort and conference centre would boast five man-made lakes, a conference centre, indoor pool and games facilities and more than 100 cabins.

The resort would make extensive use of solar power and would dispose of all its waste by irrigating a local hardwood plantation.

The project consumed much of Dr Penman's formidable energy and profits for many years.

It was finally abandoned after a messy Family Court battle with his first wife, Felicity, and the subsequent payout that forced him to sell out at a loss of about \$1 million. It also cost the Shire of Murrindindi up to \$1 million a year in tourist spending and job creation.

Mormon

The biggest influence on his life has been his involvement with the Mormon Church. He says it taught him discipline and to work hard towards achieving a goal although he is no longer involved with the church.



Dr Penman describes himself as obsessive, lacking in people skills, abrupt, often rude, impatient but a good listener.

Dr Penman says the key to his business is the franchise system he has developed over many years and after much trial and error and the Australian character.

"The level of service in Australia, particularly in our company but also in many of our competitors that use similar systems is vastly better than anywhere else in the world that I know of.

A system of organisation

"Our success is a system of organisation. A system or way of looking after people, it's a system of making sure work is done efficiently, it's a system of incentives.

"The customers are easy to find. The key issue is the organisation, the structure, the way we handle our franchisees. This is what makes Jim's unique," he says.

Despite the impression his mobile billboards, or gardening trailers, create throughout Melbourne, Jim's accounts for only about 10 percent of the gardening market. The huge growth is not in the number of people mowing lawns but the number of people taking up franchises.

Incentive

His incentive is "just the fun of doing things well. It's like a game. I love to play games and it's just a challenge just to try and make things work properly. It's the challenge of trying to create something, to grow something, to try ideas to try different experiments. It's sort of an intellectual challenge.

"I'm a very driven sort of person. I've got a lot of passion, I've got a lot of enthusiasm, I'm very idealistic. I want to change the whole course of world history", Dr Penman says. Whether he ever will achieve that lofty aim, none of us know. What is certain is that Dr Penman has succeeded at changing the way Australian's live. He has been instrumental in changing the way in which we now view our leisure time. Rather than spending that time mowing the lawn, washing the car or repairing the house, these days we increasingly spend time on ourselves or our family.

"The latter part of the 20th century has brought with it extremely hectic lives. Most people now have to work longer hours and no longer have time for a leisurely weekend spent in the garden or around the house."

Jim has helped many Australians free up their spare time, bringing increased quality to their lives. And if that isn't an achievement, then what is?