

GROWTH WITHOUT THE PAIN

To manage rapid growth, hire good people and give them the authority to do their best

Many remodelers want their businesses to grow, but few anticipate the many problems that growth brings. It may seem simple enough to just add a carpenter or hire some extra office help. But someone needs to put the systems in place to manage those new people and to generate and manage the new jobs. In short, if you're already working 60-hour weeks, you can count on spending even more time in the office and in the field as you make the transition.

But the growth isn't all bad. Kelley Hale, whose high-end residential remodeling company in El Cerrito, Calif., doubled its business last year, finds the process exciting and rewarding, though exhausting. In one year, Hale went from being a hands-on contractor handling one or two projects at a time to the head of a company with four crews and eleven employees. We talked to Hale to find out what kinds of systems and procedures he's using to keep his larger company functioning smoothly.

— The Editors



Kelley Hale found that handling four projects at once instead of one means spending a lot of time on the phone. The reward, he says, is in making each job run as smoothly as if it were the only one.

JLC: Why, at a time when other companies are looking for ways to tighten their belts, is your company growing?

Hale: I started my business in 1971 when I got my contractor's license. Back then it was just me and my first employee, Mike Desouza, doing small remodeling and repairs — anything we could get our hands on. We grew pretty steadily from a volume of maybe \$100,000 that first year up to about \$650,000 four years ago, where we leveled out.

We were happy with the business. We would typically do anywhere from two to four good-sized jobs per year, with smaller jobs filling the gaps. I had a good crew, five including myself, and I didn't want to upset the equilibrium. I also spent too much time in the field to be able to handle much more than one or two jobs at a time on the administrative end.

Mike would act as foreman and I was basically the production manager. But we often ran the jobs together, acting as co-foremen. There really wasn't a formal system.

JLC: Did you decide to grow or was it something that just happened?

Hale: A little of each. On a personal level, my kids are grown now, so I have more time than I used to. I'd been thinking of expanding to another level for some time; but I hadn't figured out how.

I wanted to do this without making my business and my customers suffer. What I didn't want to do was have a glut of work and too few people to manage it. You always hear stories about contractors who take too many jobs and aren't able to staff them properly. Then you have the homeowner saying, "Well, the contractor was here last Friday, but I haven't seen him for the past three days."

Then, in January of 1991, we had four major remodeling jobs, worth a total of about \$600,000, plus one smaller job worth about \$40,000, come in all at once. That would put us basically completing our normal year's volume in half a year's time. As I signed the contracts for all these jobs, I realized I was signing commitments to make my company grow.

JLC: How did you staff all these jobs?

Hale: I was able to spread the start-

ing dates for the jobs over a five-week period. This gave me some time for hiring. We were fortunate to find some really good people, partly, I think, because the economy was kind of slow and there were some good people out of work. We hired two new foremen and made a foreman out of our lead carpenter, who had been working with us for nine years. Including Mike, this gave us four foremen — one for each job.

We also found some hardworking college kids to help us during the summer. That helped take the bulge out of the heavy labor part of a couple of jobs. So our crew jumped from four to eleven.

JLC: Hiring the right kind of person to work on a remodeling job isn't easy. What kinds of qualities do you look for?

Hale: The hard part is finding people who have a good attitude — someone who can convey respect for the owner's belongings and sympathy for the difficulty the owners face when their house is being torn up. I look first for that. If the skills are not there, they can come later.

JLC: That must be hard to interview for.

Hale: I talk to people for a long time and usually have them back for a second interview to discuss some of the things we miss first time through. I don't conduct the typical interviewer/interviewee conversation, since people will respond with what they think you want to hear. Instead we walk around our shop and talk about a new tool or some different types of moldings, or whatever they seem interested in. You can tell if somebody knows what they're talking about — OSB, tools, what have you — and you get them to open up.

I also let people know up front that I'm looking for a long-term commitment. Once people realize you are sincere about that, their attitude starts to change. They see that you are serious.

JLC: With four or more jobs going, you can't be at any one site for much time. How do you delegate?

Hale: I'm learning to let the people I hire do the best they can. Because we've grown so quickly, it's forced me to let go — with good results.

But even the best employees can perform only in a framework they can understand. There is nothing worse than being the foreman on a job and not knowing, for instance, where exactly you are expected to get materials or how you should go about getting another person to help. So I'm trying to give people some procedures and schedules they can work with.

JLC: How do you develop those procedures?

Hale: Scheduling is an important one, of course, so everyone will know what's expected. We use the Master Builder software package, which allows us to derive our schedule directly from our initial estimate of the job. A copy goes to the foreman and to the owner. We update it as often as we feel is necessary or as the owner requests.

If something starts to fall behind, the foreman and I will figure out why — was this a realistic schedule from the start, or is there something going on? — and try to fix it.

To order materials, we use purchase orders. To get them there, we now have a full-time driver just delivering material and making sure no one needs to run to the store. It's deadly to have to pay a carpenter to run to the lumberyard. So the driver really helps make the material flow happen efficiently.

I also developed an index card file to track what tools and what people are on what jobs. Each job has a tabbed section that has cards for each employee and each tool on that job, so that I can see exactly where everything and everybody is.

JLC: Do you have daily meetings with your foremen?

Hale: Years ago we did that, but it cost too much to pay the person to drive from the office to the job after the meeting. So now I meet just once a week with each foreman to go over costs, scheduling, and other details.

We also talk about the customers and how they're coping. It's easy to get wrapped up in the nuts and bolts and ignore your customers. So I encourage my foremen to stay focused on keeping people happy and keeping them informed. I also tell them to keep an eye out for any bad reactions to what we are doing. That's where the sensitivity to the client comes in. We need to watch for those small shifts in attitude that indicate a customer doesn't like what somebody said or the way something looks.

We set up a job phone and a job mailbox at every job we have, so we can always reach each other. This helps move information between me and the site — invoicing, change orders, and that sort of thing.

The driver also helps serve as a conduit — he's the everyday physical link between the company's different parts. He comes to my office in the morning to pick up messages and a list of purchase orders that have to go out, such as materials that may not have been delivered with the main load or special order items.

The driver has a pager and everybody on the job has that pager number. The driver calls every job at just after 7:00 in the morning to see if that job needs any tools or materials, and he routes himself accordingly. He also shuttles time cards and runs debris to the recycling center and the dump. If he gets done early there is always a job that needs a laborer for the remainder of the day. There's never a shortage of that somehow.

The driver is really a very important part of the whole job. It's not a high-paying position, but it is a job with a lot of responsibility.

JLC: What about office help? Are you handling all this volume alone?

Hale: My wife, Sherry, works with me for about 30 hours each week. She does all the payroll, as well as the day-to-day bookkeeping. But even with her help, I'm spread a little thin. I work at least 60 hours, including most Saturdays. But I'm actually enjoying myself; it's challenging.

Of course, one manager for this amount of work would be considered light, and I would agree with that — which is why I'm feeling so overworked. But at this point I'm not quite ready to train someone else. I'd like to get things a bit more streamlined first. At some point we may realize that there is nothing more we

can do to simplify things and we'll have to get someone to help us carry the volume.

JLC: Do you use your computer a lot?

Hale: All the time. Our accounting is completely dependent on it. Our estimating and scheduling is all done on computer. I really don't know how we would do without it. It doesn't save on paper; it actually generates more paper. And it doesn't save as much work as we first had hoped. But it does save in the sense that we have a lot more information now than we did before. That gives us more control over what we are doing.

JLC: As the business grows, how do you keep the momentum going?

Hale: Most contractors have this rising and falling of volume, as a part of our business. We get very busy and very involved in our work, and we don't have a lot of time for marketing or even bidding. We tend to get almost finished with a job and wonder what we're going to do next. So we have a period of low volume while we're trying to get some new work coming in. Then there is another peak, and you get really busy doing the new work that the effort has generated.

I'm trying as much as possible to smooth out the peaks and valleys by making those contacts and getting those jobs while we're still busy, so that we can keep that peak and not lose it.

JLC: How do you do that?

Hale: I contact five former clients and two architects every week, I send cards and make thank-you calls for any referrals that we've received, and I follow up on any completed jobs to make sure the people are pleased.

That is our most effective marketing effort — contact with past customers. You are not going to get endless jobs from them, but every time you make that connection you are reminding people that you are out there — and they are going to remember you when their friends need some remodeling done.

JLC: Do you also make sales calls?

Hale: Yes, for the large contract sales I make the sales calls. Sometimes that means evenings, though I don't like it. But that is when people get off work, and you want to talk to people about their homes when they are home.

JLC: Do you find you're still able to take on small jobs as you grow?

Hale: Yes. As a sort of hedge against the recession, we started a service division to handle small jobs like patching wallboard, hanging doors, installing hardware, and so on. It's not technically a separate division — it goes through our regular books

and accounting — but it's handled through a different module of our accounting software called Services Receivables. Mainly it's a way of processing small jobs without entering a lot of contractual data.

We take the small-job work orders right over the phone. We don't take a lot of the qualifying information we normally take. We assign the job to one of our regular crew, giving him a series of work orders for the week, and he takes care of them between other things. He brings the orders back signed, adding in whatever has changed, and we bill it out directly from that work order.

JLC: Do you expect many of these small jobs to blossom into larger ones?

Hale: Some already have. For instance, on one we went to remodel just one side of the kitchen, and the homeowners decided to do the whole kitchen while it was already torn up.

JLC: How big do you want to become? At what stage do you want to level off?

Hale: I want to get comfortable with this level of volume before I increase it again. I wouldn't, for instance, be ready right now to grow to, say, \$2 or \$3 million a year. I've always felt that slow growth is safer growth — that if I am going to grow, I have to do it at a comfortable rate. If you're going to take the work, you have to be in a frame of mind and a position to handle it.

JLC: Do you miss being out in the field?

Hale: I miss the tools. I miss the wood. I miss getting dirty and being with other people who do the same things that I do. I'm still trying to get to each job every day to maintain contact with my employees and to give them support. But when I get there, I feel like I'm home. It's very tempting to just stay and, in many cases, it would be a lot easier.

JLC: What do you enjoy most about your business?

Hale: I guess the part that we are in right now. Trying to get through a new challenge. Trying to keep four or five jobs going and making sure every customer, every client you have, is as pleased with your work as if that is the only job you were doing.

I try to talk to every client every day. When I can honestly feel that we have pleased those people as much as if we were doing their job only, that makes me feel good and like we really are doing something right. Because without our customers we have no work. That is where it all comes from. I try to pass that on to our employees. I don't pay them, our customers pay them. That is where their livelihood comes from. That is the bottom line recognition. ■