Choosing to Grow

by R. Craig Lord

I've run a successful remodeling company for 22 years, one that has provided my family with a comfortable lifestyle and my employees with a good place to work. We have a wage and benefit package that is one of the best in our area, and we offer steady, full-time work. If it sounds like a dream come true, for a guy who started with nothing, it is. Not long ago, however, several nagging realizations surfaced, forcing me to rethink the whole picture. I'd been embarrassed by two estimates that turned out poorly, doing some damage to our bottom line. I was also frustrated by my inability to provide more than cost-of-living wage increases or opportunities for advancement to several key employees. So much of my time was spent putting out the fires of day-to-day problems, I felt like the business was running me instead of vice versa.

Down to the Crossroads

After some introspection, I realized that my business was at a crossroads. We are an established company with an excellent reputation. Over the last three years, our annual sales have averaged around $1 million, and each year, we have turned a modest profit. The problem that occurs in a company of this size is that the owner's responsibilities become too vast to allow him or her to do a good job at any single task. As the owner, I was in charge of sales, estimating, field management (we have a lead carpenter system in place, but they all reported to me), planning, and general management. Some have called this level of business "no man's land," because there aren't enough hours in the day for one person to make an improvement in any one area without sacrificing in another. A popular term for this is "wearing too many hats."

Refine or Grow

There seem to be two schools of thought on how to deal with this predicament.

One opts for no growth, attempting instead to refine the organization and systems to generate increased profits. The other school embraces steady growth as the path to increased profits. The key goal of both schools is increased profits, but a good substitute for the word "profit," in our case, was "opportunity." An expanded bottom line would give a good company the opportunity to do the kind of things that would make it a great company. Profit sharing, a company savings account, employee education, and equipment replacement are all good programs that can be implemented when the money is there to spend. But how could I generate that kind of improvement in my business when I didn't have time to cover all my current responsibilities?

Faced with a choice, I chose growth. Frankly, the idea of growth was scary to me, because it involved giving up control of certain responsibilities and required increased overhead expenditure. However, I felt that our company was already pretty efficient, and while the potential was there to squeeze a few more hours out of the mix, the real problem was at the top and not in the field.

I decided to grow the business, albeit in small steps. I started with an annual sales goal of $1.2 million for the year 2002, representing an increase of 20%. To accomplish that, we'd have to realign our management structure. I took my best lead carpenter and made him production manager, fully in charge of field operations. The other lead carpenters would report directly to him.

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Presumably, production would be smoother, run through one person's undivided attention. And ideally, this move would create more time for me to spend on sales and estimating.

Growing pains. This type of change is hard on the people involved. First, I found it difficult to give up control of the field, because, like a lot of people in this business, I started in the field and truly love the work. However, I knew I had become less effective, due to my divided attentions. My new production manager went from being responsible for himself and his job to being responsible for everyone on every job, an abrupt and difficult change. The first thing I did was give him a raise — a promotion should always include a raise. (Promotions and raises for key employees are an important side benefit of a growing company. If the business doesn't grow, those goals are difficult to accomplish; I want my employees to know that there is going to be room for advancement.)

Reality check. The psychological effects of the change were easier to get over than the harsh realities of the organizational and financial aspects. Organizationally, we found that I was slow to get out of the way. Every morning, we meet at our shop to go over the day ahead, direct manpower where it's needed, consolidate material lists to avoid multiple trips to the supply house, and answer questions from the day before. These 15 minutes are well spent, paying off in saved time later. Although I'd theoretically relinquished field management, I continued to attend these meetings and found myself still running them. I finally asked the production manager why he had so little to say at morning meetings. He told me, "Because you're there!" My presence was hurting his ability to manage. So now I stay at the office and spend my mornings talking to customers before they go to work.

Redirected revenue. Accounting changes associated with our reorganization were the hardest problem to solve. Moving an employee from production to management meant that that employee's wage would change from a direct job cost to an overhead cost. Believe me, I thought hard about taking my top producer, someone responsible for more than one third of our annual revenue, from the field and moving him into a non-revenue-producing position.

There would also be more costs involved in hiring and training a new lead carpenter. I made it clear to my production manager that I understood we'd lose some time and money while we went through this transitional stage.

Growth is great. Another fear I had was whether my new business model would be able to survive in a soft economy. My biggest responsibilities in the new system are to sell and accurately estimate the work necessary to sustain our growth. But now I have the time to devote to those tasks.

As 2002 came to a close, I felt quite happy with the changes we'd made. We met our sales goal of $1.2 million and even realized a record net profit. There are still plenty of challenges ahead, though. We lost a lead carpenter, and finding a replacement has proven difficult. Though we know how to fix them, our existing systems for job-site paperwork and material orders have staggered a bit under the increased workload. In short, everybody in the company has had to change and take on new responsibilities, but the money's there and the opportunities are within reach. We're growing ourselves from a good company to a great one.

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