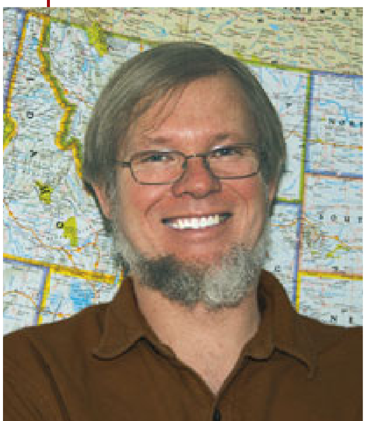
Right-Sizing a Business



I learned the other day that an old friend lost his job. He was a manager at the lumberyard in whose millwork shop we'd both worked as young men, nearly 30 years ago. The yard had closed its doors and chained its gate. It had been a well-run business, treating its employees and customers fairly and honestly, and apparently paying its owners a decent profit. The owners and bosses and old hands were mostly veterans of WWII. They'd been tradesmen and lumber salesmen in the boom times of the 1940s, '50s, and '60s. Listening to their stories was touching history. They were demanding, no-nonsense guys. When you got a raise or an attaboy, you'd earned it.

It was a great place for a young carpenter-wannabe to find his feet. I learned about lumber and hardware and pre-hanging doors, and the names of all the molding profiles on Jersey Millwork's wall chart. I learned to drive trucks, and forklifts, and front end loaders. If I close my eyes, I can still feel what it was like high in the seat of a big tandem axle International, bouncing down Highway 31 behind a rattling Cat diesel.

When I became a contractor, they opened an account for me just because I asked. They cut me price breaks on tools. They gave me business advice and referred me a lot of business — there were times I'd have gone hungry without those referrals. I actually mourn the death of this lumberyard.

So what happened? In broad terms, it was a victim of the recession. But some of its competitors survived. What was the difference? According to my friend, it grew too fast. When I'd worked there, the lumberyard had a broad customer base of established local contractors, as well as a fair retail business. The original owners retired, and then the local economy shifted. Interstate 78 was completed, people poured into the region, building boomed, and the lumberyard changed its focus from locally grown contractors to volume builders such as Toll Brothers. It rode the bubble and bought more facilities to meet the demand.

Then the bottom fell out. Tract building went from 60 to 0 in about 5 seconds. The yard's old customers, the smaller contractors who had at least some work going on, had shifted loyalties to smaller suppliers. There wasn't enough business left to pay for the expanded facilities. The yard struggled for a couple of years and then closed up shop. I haven't actually stopped by for a viewing, but I imagine all that's left is a dusty yard and an old tin warehouse with a fading Benjamin Moore logo on its gable. It had grown too big for its roots.

That philosophy of growth was articulated by the founder of another company where I worked. He would say, "If a business isn't growing, then it's dying." He didn't invent that mantra. In fact, I think it's been the overarching philosophy of American business for decades, if not longer.

And I don't think it's true. I think the philosophy of growth for growth's sake is what's driven us into our current economy. I think it's more important for a business to be the right size for its market and for the satisfaction of its owners than for it to grow continually. Money and growth are not the only measures of a business, particularly a small family business. I've known a lot of unhappy small-business owners whose business runs them, not the other way around. If asked how big their business ought to be, they'd probably answer reflexively, "Bigger." Well, maybe that's not the right answer.

As the owner, you define what success means for your business. Of course you have to make enough to pay your bills. But beyond that, no one else's expectations matter. If constant growth makes you happy, then go for it (just don't fly so high the sun melts your wings). And if your goals are smaller than that — maybe you simply want the independence of self-employment and the chance to build a nest egg — who's to criticize you? It's your business.

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