

BY DAVID GERSTEL

Your Best Opportunity for Business Education Might Be in Your Hometown

Over the last few decades, educational opportunities for aspiring builders have proliferated. We now have numerous magazines, books, podcasts, websites, YouTube channels, and conferences. But the most powerful of the opportunities may well be “peer-to-peer” learning groups. Builders are getting together to help one another up their game. As Remodelers Advantage, a respected champion of peer-to-peer learning puts it, builders are discovering “The Power of We.”

My own experience with peer-to-peer learning has been with a group that embraced near anarchy as its organizational principle. More typically, however, peer-to-peer learning groups are set up within structured programs offered for a fee by for-profit companies. The services they provide can include conferences, coaching, and webinars. But their key offering to their clients is an opportunity to participate in a group of fellow builders who push one another to higher levels of performance, even acting as members of a board of directors for each other.

The group members typically meet—together with a trained facilitator—twice annually, often arriving from far-flung parts of the country, for a long weekend at the office of the host. They may begin with a relaxed dinner, later gathering to discuss a variety of business issues. One has a problem client. Another wants guidance for working with a skilled but obnoxious employee. A third needs tips on opening a showroom. Their prime focus, however, is on the financial performance of their respective companies, with group members sharing and evaluating one another’s detailed financial reports. Bottom Lines, a program offered by the New England Sustainable Energy Association (NESEA), focuses on a triple bottom line: People, Planet, and Profit. Its members are currently struggling with the challenge of reducing embodied energy in their projects while maintaining durability and operating efficiency.

Meetings organized by the for-profit companies culminate with the group members taking a deep dive into the business operations of the member acting as host. They interview the host’s employees and even their clients. They inspect jobsites. They pour over financial records. With their examinations complete, they put the host on the “hot seat” and give them recommendations for eliminating weaknesses and capitalizing on opportunities in their business.

Membership in these groups does not come easy or cheap. Participation requires courage. As a fiercely loyal member of one group put it, “You must be willing to be vulnerable. You have to be able to

put aside ego and say ‘I don’t know everything about this business. I want to be better, and I need help.’”

The companies that organize the groups can demand discipline. One of the best established companies pushes its members to make specific commitments in writing to improve their businesses and to live up to those commitments. Sometimes people in a group quit because the pressure to change is too great. In one group run by a company that is now out of business, a member became so distraught during their turn on the hot seat, they began weeping.

However, because groups typically meet only twice a year, a new member may not have to take their turn on the hot seat for several years. That gives them time to get comfortable with the prospect. Meanwhile, they are learning from the reviews of the other companies in their group.

The dollar costs for membership in groups organized by for-profit companies are substantial. With travel expenses figured in, costs can run near \$10,000 a year, though with some of the companies or for smaller-volume builders, membership can be around \$3,000, or less.

COLLABORATING WITH THE COMPETITION?

Bottom Lines, the peer-to-peer program offered by NESEA and founded by Paul Eldrenkamp, John Abrams, and Jamie Wolf, does not emphasize a noncompetitors’ angle when recruiting new members. Competition, Paul says, is “an issue really not worth worrying about. It’s a potential fear for a new member, but in the end it is not a problem ... If you are running a business with integrity, then there is a responsibility to take advantage of all resources to get better and that includes learning from fellow builders in the same micro-economy.”

Paul is himself a member of a Bottom Lines group. It includes a builder who was once Paul’s employee. And that builder’s office is in the same town as Paul’s. Paul is fine with that. “View other builders as colleagues, not competitors,” he says. “Do referrals back and forth. The point is to grow your business to the point that people are coming to you because they want you.”

Notwithstanding the costs and the challenge of taking the hot seat, many builders who have participated in peer-to-peer education groups believe they made a good investment. One told me that when he joined his group, he was working 90-hour weeks and struggling financially. With his group's guidance, he cut his work hours by almost half and began to make a good living. Another explained, "You make less mistakes when you hang around with people who have made those mistakes." He has been a member of his group for four years and treasures not only the meetings, but the chance to contact fellow members at any time and ask them for guidance. He values them as friends, and he feels himself to be part of a community.

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The owners and staff of the for-profit companies work steadily to recruit new members for their groups. Their marketing usually (not always) emphasizes that if you join one of their groups you will be meeting with builders who operate in locales distant from your own. They believe that builders will balk at letting direct competitors see inside their companies and will be more comfortable sharing with those from distant places. Distance, says one veteran group facilitator, helps dissolve a psychological barrier to sharing. Most builders, she insists, "will not share numbers with people in their own community."

While I have come to appreciate the benefits of participation in the groups organized by the for-profit companies, I do wonder about their insistence on "non-competing." My own experience with peer-to-peer learning suggests that sharing with competitors can likewise offer great benefit. The members of the group I participate in operated in the same territory, the San Francisco Bay Area. Often, we were interviewed for projects by the same clients and designers. But we brushed aside the fact that we were nominally competitors. We embraced the realization, as one member put it, that you benefit by "breaking bread" with other builders from your hometown.

We called our initial group the Splinter Group. It was formed some 35 years ago. Several then-young builders splintered off from an association sponsored by a national construction organization because they found its ethics "appalling" and were not getting the mentoring they had hoped for. And so was born, recalls Deva Rajan—one of the initiators of the group—"a movement of young men who were determined to focus on high-quality craftsmanship, giving people really good value, and building reputations for operating with integrity."

Splinter grew to include construction companies of all sizes, from classic belt-and-suspender operations (gifted carpenter with dog riding shotgun) to those strong enough to lose 200 grand or more on a project, survive to tell the story, prosper, and grow. What bound us together was a willingness to share. "That is what

motivated us," says Rajan. "We gathered to break down the walls that had existed between builders. We began to catch a glimpse of the advantage—and then we seized on it—of working together. That is why we flourished ... I never once regretted giving away information about how our company worked."

At first, Splinter was just a few guys meeting to talk over dinner. But even that was powerful. The gatherings were "almost a refuge, a rare chance to engage with your fellow builders," recalls a man who loved those early meetings.

Word spread. More builders joined the gatherings. As Splinter grew, it became apparent that more structure was needed. However, as one journalist wrote, the group had "an extreme distaste for bureaucracies." Therefore, an adamantly counter-bureaucratic protocol was established.

The idea of dues was firmly rejected. We instituted only one regular procedure, an annual "Board of Non-Directors Meeting." Anyone who wished to could attend. At a non-directors gathering, one Splinterite or another would be dragooned into facilitating it. Somehow, they would find themselves at the front of the room, a piece of chalk in hand, writing down suggested topics yelled out by other attendees for the year's coming meetings, then calling for a vote to select eight topics and posting the names of volunteers to lead the meetings.

The gatherings began conventionally enough: First food and socializing. Next a presentation, usually by the host. Next Q & A. Then the special moments began as we drifted into what one member describes as "call and response." Questions were now directed not to the speaker

HOW TO CREATE A HOMETOWN SPLINTER GROUP

- Ask a few trustworthy fellow builders if they would like to get together for dinner and share ideas about construction and business management.
- Let the group grow as members spontaneously invite other builders to the gatherings.
- When necessary, put a bit more structure in place.
- Establish one office, a Keeper of the List, who will maintain a list of the contact information of all members.
- Hold an annual Board of Non-Directors meeting to select topics for the year's gatherings.
- At the meetings, select a year's worth of topics and a person to lead each of the gatherings.
- Otherwise, resist bureaucratization.
- Host your meetings in attractive spaces.
- Don't allow architects or other designers (and probably not even subs) into your group.
- Encourage the code: No member ever takes advantage of what is learned in the group to ace another member out of a job.
- Don't charge dues.

but to the group at large and ranged far beyond the evening's topic. Members would describe issues and challenges they were facing. Others would offer their solutions to similar problems—often, and especially valuable, divergent solutions. “I always loved that segment of the meetings. The honest disclosure was so valuable—and possible only in a room where you could trust everyone to have your back and your best interests at heart,” recalls one Splinterite, voicing the views of many.

The trust was vital. We had to be able to count on one another not to take information from a meeting and use it perniciously should we find ourselves being interviewed for the same project. Though never written down nor even much articulated, that was our code. You violated it at your peril, risking being despised by or even expelled from the group. So far as any Splinter member I have talked with has been able to recall, only two people violated the code in a serious way. Fittingly, they seem also to be the only two Splinter members to have gone bankrupt.

With the trust in place, a great range of subjects could be openly discussed—both in Splinter and in the smaller groups it eventually gave rise to. We shared financials including labor rates, markups for overhead and profit, gross revenue and gross margins, the salaries we paid ourselves to run our companies, and the percentages of profit we shared with employees. We even provided reports of our net worth. We reported the number of hours it took us to estimate our various types of projects. And we pooled our contracts, comparing clauses and discussing how to best protect ourselves on projects requiring AIA documents.

Rather than dogmatically pushing “best practices,” we just laid out our differing approaches to handling issues, leaving it to one another to take what was useful while leaving the rest (quite like 12-step groups, a visiting journalist mused). Several members, for example, described their varying tactics for obtaining clients’ budgets before investing much time with them. But another explained that he never even brought up budget, preferring to plunge right into guiding a prospective client with the confidence that money would somehow emerge and that he would build the project.

We happily reported our successes to one another. Most importantly, we shared our challenges and setbacks. One Splinterite described the missteps that cost him \$175,000 on a job, giving us all to understand the danger of simultaneously moving into too many unfamiliar territories—in his case from residential to commercial, from general contractor to subcontractor, and from his own contract and change-order procedure to much less accommodating protocols.

The sharing went well beyond the meetings. Did you need an extra carpenter for a few days? One of your Splinter friends would ask one of his guys if he would be willing to move over to your project temporarily to lend a hand. Did you need a good sub? With a few phone calls, you would get several recommendations. Were you interested in a new software product? Someone in the group who was already using it would be glad to tour you through it.

All in all, Splinter’s experience indicates that, while you can certainly learn from builders operating in markets distant from your own, there is also an advantage to sharing with builders in your own micro-market—with men and women who work with the same

designers, who understand the expectations of clients in your market, and who must navigate through the same building departments.

For all its strengths, the Splinter Group began to subside after 35 years. One member theorizes that the group grew too large and unwieldy. Its membership had briefly swelled to more than 400, including numerous “carpetbaggers and opportunists” who swept into town looking for contracts in the Oakland fire zone, where several thousand houses had burned to the ground.

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Additionally, as I see things, we made several mistakes of governance. We moved our meeting from a pleasant restaurant to a dismal room provided by a local lumber company where no craft-loving builder would happily spend time. And, most seriously, in our commitment to open membership, we let architects, engineers, and subcontractors into the group. The subs were there to look good to general contractors and win them as clients. The generals wanted to wow the design professionals, and vice-versa. Now the confessional nature of the group was impaired as Splinter transformed into a networking and marketing venue. Attendance at meetings declined and finally the group ceased to exist.

But like an old oak laying itself down, Splinter threw out acorns that sprouted into vigorous saplings. It gave birth to smaller groups—the Slivers, as we named them. A number of those successor groups are thriving today and continuing to foster the success of collaborating competitors. Steve Nicholls, a Sliver participant to this day, was one of the initiators of the original Splinter. At the time, he was not far removed from his years as a finish carpenter. Now he heads a residential construction firm that did \$22 million worth of work in 2017. He is grateful for his success and credits it in large part to his participation in the Splinter group, to “having those mentors available,” he says.

I credit Splinter with much of the good fortune I have been blessed with as a builder and an author. I am grateful for the support of an alliance of craft- and freedom-loving builders who helped me along my way. There is no reason why you can’t enjoy a similar experience. That’s the case even if you are already richly benefiting from participation in a fee-based peer-to-peer program. All it will cost you is the price of a dinner every six weeks and the small amount of effort needed to kick-start your hometown Splinter group.

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