



Taking the Pain Out of Growth

by Jon Abrams

Although the dream of every small business is supposed to be unlimited growth, for many small builders business expansion is a mixed blessing. Many of us settled into this field because we wished to avoid an impersonal work life in a large institution. We were attracted to the freedom, the desire to use our physical and mental capacities together, and the opportunity to create something real and lasting. Viewed from this perspective, growth can seem like the enemy, not the goal. Yet there are compelling reasons for slow, well-managed growth, too.

The custom-building business I run has been growing slowly but steadily for 14 years. Despite our efforts to keep it small and comfortable, the "perfect" project would keep coming along and we'd just have to take it. And every time we went ahead with a new employee benefit, or bought a new piece of equipment, or hired a new person, we found that we liked it and then, of course, we had to support it with more and larger projects.

Fourteen years later, we're still small, but have 15 employees. Managing this growth has involved a lot of groping in the dark—making mistakes and adjustments—since none of us has gone to Harvard Business School. Yet I think we now do better work than ever, provide a better work environment for employees, make more contributions to our community—and usually have a good time doing it. This article explores some of the strategies we've found useful for making this transition without losing what we like about our work.

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Small Company Benefits

The art and business of building homes is a collaborative effort of many diverse individuals. Everything that gets done is the result of people tossing around ideas and looking for common ground. The relationships of owner to builder, builder to sub, partner to partner, carpenter to carpenter, etc., are important. This seemingly cumbersome process goes on all the time, and works when people make an effort to communicate. Successful relationships drive the whole building process.

When a company is small, with one or two jobs going at a time, and two to five employees, a single individual can keep things under control and keep the whole operation in his or her head. With a few good employees, and tasks divided according to

aptitude, it can work well. A small group can hone individual skills and gain efficiency—the operation can be successful and satisfying. Sounds ideal, right? If it's possible to keep a custom-building business running smoothly and profitably at this level, why grapple with all the problems posed by company growth?

Why Grow?

A small company has some wonderful qualities, but some real limitations, too. Opportunities come up that demand a stronger organization that you can muster. Key employees have developed strong skills and need more challenge and diversity to keep them interested. People grow older and as they raise families, they naturally look for more security such as health insurance, disability insurance, and other employee benefits that small businesses often can't afford. Often the business grows just enough to put it in that terrifying zone where time seems to simply vanish; there's not enough time in the day to meet all the demands and your personal life becomes an impossible blur. Growth can alleviate some of these problems, and if well managed, can keep work challenging and fresh.

Don't Ignore the People

As a business begins to add employees and administrative infrastructure, it takes on two identities: the external and the internal. The external has to do with what the company produces and how it is perceived. The internal has to do with the work lives of the employees: how the business serves their various needs. When the details of building and doing business consume all our time and effort, and the experience of the employees is overlooked and deemed unimportant, trouble is just around the corner.

This is the point at which many small builders seem to lose control of the quality of their companies and become cynical. They begin to rationalize excesses and cutting corners by saying, "that's the way the system works; you gotta' do this stuff if you want to compete," or "Hey, there's only so many hours in the day." This is an identifiable stage—it's usually when a company has 5 to 15 employees with gross sales between a half million and 1.5 million dollars a year. This is the never-never land of small building companies. I know—my business is just now leaving that territory.

Building an Organization

At this point, it's most important to remember why you started doing this work in the first place, and to identify all those qualities that originally attracted you. In our case, the key values were traditional craftsmanship, community involvement, innovation in energy and technology, working

with friends, and democratic decision-making. Having identified your motivations, the more difficult task is to formalize them into flexible and responsible business structures.

First as a partnership, then as a sole proprietorship, this organization had always been a small, close-knit group of friends operating informally. We recognized the need for more structure several years ago. Two employees had been working for ten years and wanted an equity position in the business. I needed other people to take on more responsibility. After considering a variety of alternatives, we restructured the company as an employee-owned business.

This structure allowed the two long-term employees to buy in as full partners for a nominal amount, and all employees who work for a period of five consecutive years will potentially be able to buy in. All owners are equal owners, and each has one vote on policy matters, no matter what his other job is. The board of directors is made up of the owners plus one non-owner. This board makes policy decisions and provides guidance for

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the manager. As manager, I make management decisions, run the company on a day-to-day basis, and provide guidance for the board.

We have a wage scale based on traditional measures, such as skill, experience, and responsibility. Profits are distributed at the end of each year. Roughly 30 percent of the profits are distributed among all employees based on the number of hours worked. Of the remaining, half is kept in the company as retained corporate earnings and half is distributed evenly among the owners in the form of internal capital accounts.

We've been operating with this system for a year and a half. We have a better forum for decision-making, which has some organization and continuity. More attention is devoted to management. A number of individuals have an important stake in the company. In fact, I believe that we all in some way feel it is ours—that we are responsible for making it work, and that is responsible to us as well. Fundamentally, however, it's changed very little. That was the whole idea, right?

It seems that we no longer have to pussyfoot around difficult or delicate issues, and that people express themselves more freely. The work force seems more stable than ever, with little or no turnover. We'll see how it goes in the future, but for now it feels like a good balance has been struck. This has allowed a seat-of-the-pants, close-knit, loosely operated, somewhat democratic organization to turn the corner toward maturity: We've kept all the good qualities, but no longer run by the seat of our pants. ■

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