

Special Focus: Growth Trifecta

Larry Gard

It's been said that one of the greatest challenges any business faces is growth. Perhaps more than any other aspect of running a business, growth requires consideration of an enormous number of objective and subjective elements, facts and unknowns, and things both within and outside of one's control. Growth can be exciting, but few would describe it as inherently comfortable.

Three successful Chicago-area firms engaged in different core businesses of commercial construction—architecture, engineering, and contracting—prove that all it takes to handle substantial growth is a little effective navigation.

People = Productivity = Growth

Growth can be planned or unexpected. With regard to planned growth, most executives stress the need to have outstanding personnel. But, sometimes that's easier said than done. "There are major costs involved in developing people, but you can't grow otherwise," according to John Paderta, president of Krahl Construction.

When Paderta purchased the firm in July 1997, there were three on staff and the annual gross revenue was \$300,000. By the end of 1997, revenue had skyrocketed to \$7.4 million. Ten years later, the firm employs 150 people with revenues hovering in the area of \$120 million.

Paderta invests in facilities, equipment, personnel and systems ahead of time because in his industry "there's no way to ramp up fast enough," he says. He adds that as positions emerge, you can't just plug people into key roles. "You need to carefully groom and select the right people – those who you know are capable and willing," Paderta notes.

OKW Architects Chairman and CEO Jon Talty suggests that the most difficult thing about planned growth is knowing "how much is enough" with regard to resources, skill sets, space and technology. "We need the infrastructure to serve our clients, but we can't extend too far because of the cost," Talty notes.

When Talty assumed leadership at the firm's predecessor in 1995, he was charged with rebuilding the business. To ensure the long-term viability of the firm, he says, he recognized that it needed to grow. Faced with hiring more personnel vs. merging with another organization, he chose the latter, formally establishing OKW in 1999. In 2001, the firm consolidated its offices in one location, employing 40 professionals. By 2007, it hired 22 additional employees.

After taking the helm 10 years ago, Environmental Systems Design (ESD) President Raj Gupta has seen the firm, which was started by his father in 1967, grow from a sole proprietorship to an enterprise of 240 people with revenues just under \$40 million. Gupta believes that planned growth is possible, "but no matter what you're going to do, you have to have the best people. That means a continuing emphasis on recruiting and in-house training."

Gupta added that, in his opinion, discipline is the key to planned growth. He stressed the importance of making thoughtful decisions about what areas will be targeted for growth, and then sticking with the plan. Although it can be tempting to adopt a scattershot approach and pursue growth opportunities everywhere, it's counterproductive in the long-run because it becomes difficult to allocate staff strategically, Gupta explains.

"You must be honest with yourself about the strengths and limitations of your firm, and dedicate resources where you can realistically seize an opportunity, rather than trying to fix things in an area that you're simply not prepared to take advantage of," he adds.

Whether growth is planned or unexpected, you cannot lose sight of current operations. "The most important thing is to make sure that the catalyst for new growth doesn't distract you from servicing your existing clients," Talty says.

As new people are brought on board, it's important to attend to existing personnel. "An owner needs to reassure people that they remain important, that they won't be overshadowed by the new hires," Paderta adds.

Indeed, the heady excitement of growth can be highly motivating to a staff, but it can also cause people to feel uncertain about what it means for their future at the firm. Maintaining a long-term perspective can help the staff adjust to growth. "We don't measure our performance monthly or quarterly," Gupta explains. "That way, the staff can feel secure that we won't be changing headcount just because of a transient change in revenue."

Gupta also notes the importance of providing people with a growth path for their own careers, rather than simply expecting them to adapt to the firm's growth. In fact, sometimes the best way to help people adjust to growth is to communicate and be as transparent as possible. "People need to see that within the context of growth their role is important and that there is a clear path to success," Talty notes.

Paderta says he forges deep relationships with his staff and tries to understand and accommodate individual differences. This allows him to have a good sense of the employees' strengths and developmental needs, while helping him to identify who is best suited for the opportunities that invariably arise as the firm grows. Looking back, he's glad that he didn't buffer himself from his team by hiring a COO in the early years. It meant that he had to wear a lot of operational hats at first, but it allowed him to gradually identify loyal, talented people who remain instrumental to the firm's success.

Impact of Management Structure

A change in management structure can facilitate dramatic growth, and it can also be the outcome of growth. As ESD grew in size, for example, it didn't lend itself to a "command and control" management system, Gupta says. With technical advances, things move more quickly and there is much more information available to those who need it. Thus, the firm was able to become more decentralized, and management and employees adopted an operating committee and grouped staff into studios based on project type, such as healthcare, instead of departments, such as electrical. This structure fosters greater collaboration, creativity, accountability and learning.

Gupta observes that because of the explosive growth of professional knowledge, no single person can understand all of it. Therefore, it becomes that much more important to share information by creating an open environment. He cautions that decentralization be done thoughtfully so that it does not result in fiefdoms.

Growth can also impact a firm's executive leadership team. At OKW Architects, the growth resulted in a wider dissemination of accountability. "As we grew, true leadership distilled to a smaller group," Talty notes. "We have nine owners, but we have two decision makers. Everyone has agreed to this, and trust is essential for this type of an arrangement to work. Conversely, at the project director level, accountability has become more widely distributed such that each director is responsible for managing the staff and the profitability of his or her project."

Values Guide Growth

Given the uncertainties that characterize growth, it can be useful to turn to personal and/or company values to guide you through uncharted territory. Paderta found that by sticking up for what he believes in, his firm has grown. "When we were small, I thought that it was imperative to develop consistent procedures," he explains. "My staff and managers didn't always understand why we should do things in the same way, but I believe that standardization saves time when there is growth.

"At first some people were reluctant to change to a standard approach," he adds. "They felt it was too structured and overly managed, and even now there are some occasional dissenters who resist the idea of standardization."

Similar to the way a ship operates, Paderta suggests there be a core group on board that is committed to following a specific course toward growth. Those who try to pursue a different course either elect to join their shipmates or they get off at the next port.

"Your mission should remain consistent whether you are a firm of five people or 500," Talty adds. "Your values relate directly to the type of people you employ. You have to build teams of people who share those values. Those who don't share them can have an adverse impact on the firm. You're only as good as your weakest component."

At ESD, a long-term focus is a core company value and it relates directly to its growth strategy. About 85 percent of its work is generated through repeat business. "The Board of Trade was our very first customer, and they're still a customer," Gupta says. By adopting a long-range perspective when making decisions about his employees, his customers and his firm, Gupta has sustained and enhanced every aspect of his business.

Larry Gard, Ph.D. heads Gard Executive Consulting, a Chicago-based firm that develops leaders and organizations (www.gardexec.com) and he is a senior consultant with the Global Consulting Partnership (tGCP). He has consulted in the area of performance enhancement and behavior change since 1991. He has assisted chief executives, key leaders, and managers from a variety of fields, although his primary interest is working with architecture, engineering, and construction firms.

Gard received his bachelor's degree in psychology from the University of Michigan in Ann Arbor. His doctorate in clinical psychology is from Northwestern University Medical School. He is a member of the Society of Consulting Psychology, Division 13 of the American Psychological Association.