

## EXECUTIVE INTERVIEWS

# GROWING Your PEOPLE

Two successful CEOs talk about why great talent has no reason to leave their organizations.

Business growth is not something to be taken lightly. If managed well, it has a lot of positives, but there are also many reasons to avoid it. As discussed elsewhere in this edition of *The CEO Advantage Journal* (see “Still Small Giants” on page 30), some organizations choose to focus on greatness rather than growth.

Sometimes, however, that greatness creates the need to grow, as discovered by Gongos Research and Orchard, Hiltz & McCliment, Inc. (OHM). Both organizations have demonstrated a commitment to greatness, and both attribute their greatness to a culture that is built by and continues to attract great people. Yet, the very characteristics that make those people great are what drive them to become greater. In order to be at their best, they need to be continually challenged with new opportunities. To provide those new opportunities, their companies need to grow. If they don't, the talent that makes them great will have little choice but to go somewhere else.

*The CEO Advantage Journal* sat down with the CEOs of these companies to further explore this dilemma. John Gongos, John Hiltz, and their respective leadership teams have both chosen to grow for the purpose of providing ways for their employees to grow. In these edited interviews, they talk about the pros and cons of growth as well as their efforts to preserve their winning cultures in spite of rapid expansion.



**Gongos Research** is a custom marketing research company that uses qualitative and quantitative methods to help companies make informed decisions in the development and marketing of their products and services. They are based in Auburn Hills, Michigan.

**John Gongos, President**  
**Gongos Research, Inc.**  
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**What did you envision for your company at the time of its founding?**

I had previously worked for two other market research companies. One was run by a great researcher who was not much of a businessman. The other was run by a good businessman who was not a researcher, yet he was successful. I figured if I could be a good businessman and market researcher, I could be successful. The opportunity was there, so I took it.

When we founded the company, we had a business plan with a growth projection, but it was little more than a guess. At that time, we were thinking in terms of weeks and months, not years. The focus was on finding customers, establishing a bank relationship, finding employees – the basics. We just wanted to survive. We didn't really have doubts, but we weren't planning on becoming a \$50 million company, either. We just wanted to be a successful research company, most of which are small to midsize.

**At what point did you focus on the question of "to grow or not to grow?"**

We enjoyed fairly steady 40% growth annually for the first five years, so it

didn't take long to realize two things. One, we had a really fun culture. We loved our small company culture and attracted a lot of smart and fun people who enjoyed working here. Two, we were growing quickly – so quickly that we began to wonder whether our culture could survive. There are a lot of positives with growth, but the prospect of losing our culture was a potential negative that caused us to question whether we wanted to grow.

So we started asking ourselves each year, "How big do we want to be?" It's funny to remember how when we had 15 people, we thought we never wanted to get bigger than 30 people. We hit that in two years, and the culture felt the same, so we decided we never wanted to be bigger than 40 people. We hit that, and the culture felt the same.

At that point, we began to wonder, "Do we have a *small* company culture or a *strong* company culture?" The CEO Advantage™ process helped us answer that question by leading us through a discovery of our core values. We began to realize that our strong company culture was built on finding people who shared those core values. That's what we had been doing right. From that point,

we were more proactive about maintaining our strong company culture rather than a small company culture.

**Once you decided you could grow, why did you decide to actually pursue growth?**

Once we truly understood what was responsible for our strong culture, we felt comfortable with our growth rate. But then we had a rapid growth spurt in 2007 when we quickly jumped from 45 to 75 employees. Not everyone on the leadership team was convinced that this was a good thing, so we had another serious conversation about the pros and cons of growing. Culture was still our primary concern, but we felt we could still proactively drive that while we grew. We identified two main reasons to pursue continued growth. First, we wanted to continue to get better as a company. Second, we wanted to keep the talent we had acquired. We had all these ambitious and talented people that we were going to lose if we couldn't provide them with more opportunities and more money. Plus, our leadership team was still pretty young, so we wanted the opportunity to grow individually, as well.

So we decided to continue

growing, albeit at what we consider to be a controlled rate.

**I'm sure it's an interesting challenge for a CEO to manage the differing opinions on this issue.**

Absolutely. We have people on the team who would love to grow even faster and others who are resistant to change. Growth means change; some love the excitement of that, and some hate the complexity of it. Of course, some have minority ownership stakes, so that affects their opinion, but I think attitude toward change is the primary factor.

**Is there a limit to how much you plan to grow?**

I don't think so. We have already grown larger than we once thought we could, and our culture has continued to thrive. Now that we have 102 employees, it's hard for me to say, "This just won't feel the same at 200 employees." We just don't know, and I don't think we will know until we reach that point. That's what makes growth scary. Yet, the real questions are whether we are driving the culture and operating at a high level of quality and innovation.

I feel good about the discipline with which we nurture our culture. It's a heavy component in our hiring, and we've also developed a reputation where people really want to work for us. That gives us a large pool of candidates from which to choose those who will be a fit.

**Can you share any specific examples of how your growth has created opportunities for talented employees?**

One member of our leadership team has always been a really good strategic thinker and is very excited about technology. For years, he has worked as a project director and moderator, but some of those projects didn't excite

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him as much as the more visionary and technology roles he was assigned. So we slowly transitioned him into leading the Research Innovation and Technology team that is dedicated to developing new innovation for research. So we found a role for him that aligned with his passion and strengths, and he is much happier. He is the perfect person for that job.

**And if you were smaller, you could not have done that?**

Right. We would not have been able to dedicate a high salary person to that full time.

**Any other examples?**

Sure. We have another guy who has been a project director and a very good moderator. We tried to make him an account manager, but he was not passionate about that. What he really likes is managing people and helping them grow. Thus, we recently dedicated 50% of his time to on-boarding our new hires. Every entry-level employee reports to him for the first six months. He closely manages their on-boarding and training processes until they are ready to be assigned to a specific team. The early returns have been phenomenal. The new people rave about the job he's doing, and he loves doing it.

If we were smaller, we could never dedicate 50% of someone's time to on-boarding new people. We would need him generating revenue. We're now at a point that we can afford to have him do

that, and it has been very helpful to our company.

**Those are both good examples. Do you think either of those individuals would have left the organization if they could not have grown here?**

Actually, both of them did leave, but they came back because they really like working for our company. Yet, had we not been able to create these specialist roles for them, they probably would have left again.

**Do you have any other insights you'd like to share relative to the decision of whether or not to pursue growth?**

There are two additional advantages to growth that I haven't mentioned. One is the diversified client base we now have. We would not have been able to weather the 2008 downturn nearly as well had we been a smaller, less-diversified company. Second is the brand recognition that comes with being a larger firm. Our people have always enjoyed working here, but it's fun when others recognize you.



**OHM** partners with municipal governments and public agencies to meet infrastructure development challenges. Their services include civil engineering, architectural and surveying, as well as information technology and municipal administration consulting. They are headquartered in Livonia, Michigan.

**John Hiltz, President**

**OHM Engineering Advisors**

**[www.ohm-advisors.com](http://www.ohm-advisors.com)**

**You hit a point where you realized that you had to keep providing new opportunities for your talent or else you were going to lose them.**

That is the reality. We are a service business, and those services come from our people, so we are selling ourselves. That's why we work so hard to fill our organization with great talent. Once we have that talent, we have to keep giving them opportunities to excel and to grow. If we don't, they will move on to another opportunity. We need to grow so they can grow.

**Let's rewind a bit. Take us back to the beginning and walk us through how you reached that realization.**

We were founded in 1962 as a provider of services to municipalities. It was an annuity company where my great uncle and his two partners divided the earnings at the end of the year. So their focus was not to grow, but to maximize yearly earnings. That worked well for a long time, and they began to take on more private business. When the 1980s recession hit, the private business really dropped off, so we shifted back to a focus on public customers. We still were

not focused on growth; we just wanted to be the best in our niche. Yet as the communities who were our customers grew, we grew.

Sometime in the 1990s, we suddenly realized that we were not able to grow fast enough to keep up with the talent pool we were building. Our services were becoming more and more specialized, and to keep our experts busy, we had to keep increasing our reach. So we decided to pursue growth.

At first, we based our growth rate on head count, then on revenue. However, as an annuity company, our focus was still on maximizing earnings. One day, someone said to me, "Our growth goal doesn't pass the laugh test," and he was right. Our actions were not consistent with our goal. So as recently as 3-4 years ago, we decided that if we were really going to be successful at growth, we had change our business model to reinvest in growth annually. We had to be willing to leave some of our yearly earnings in the company.

That realization was really driven by our young shareholders. They wanted to make sure that the value that each of us senior shareholders was taking out of the company was consistent with the

market. Our book value wasn't working for us. They said, "Even though that's great for us to buy in at a lower rate, we don't want you walking away if someone offers a big carrot." They wanted a long-term investment, and they were willing to sacrifice if we were willing to sacrifice. So we did that. We changed our business model over to growth and reevaluated the firm based on economic value for shareholders. We then aligned our goals with that. We've had to reassess that decision along the way – particularly as the market has struggled in recent years – but we have recommitted to it each time.

**Was everyone immediately on board with that business model change or did it take time to get everyone committed to growth instead of maximizing annual payouts?**

We have a pretty large shareholder group, and I didn't expect that 100% would be excited about it. The junior shareholders, of course, were ready to get on board, but the senior leadership was understandably hesitant. Some were on the cusp of retirement, so we structured an agreement where their retirement benefits would remain close to whole.



But the rest of us – regardless of how many years we had left – believed it was the right thing to do. I still ask probably more than I should whether everyone is still onboard, but I want to continually reinforce that we're all on the same page. We've set that direction, and it's my job to get us there.

**What have you found to be some of the cons to a focus on growth?**

It ties up capital that might otherwise be rewarded to our shareholders. That's especially tough when we're trying to find new clients in difficult economic times. Right now, I've got more business development people engaged than ever.

It also ties up time. I personally enjoy spending time with our clients and staff, but when I'm focused on finding new opportunities, I can't do that as much. I've had to force myself to step away from operations. I know some businesses who have downsized where the senior management is digging back into operations, but we've gone the opposite direction. I have phenomenal people overseeing operations, so I'm a redundancy there. My job is to look ahead several years and drive business development and marketing.

**How have your acquisitions impacted the company's culture?**

It has actually infused a lot of energy. We include the staff in business planning, and we encourage employees to present new ideas. Acquiring new companies has broadened the talent pool from which those ideas come, and that's exciting.

We also don't believe that the strategic plan should be only for executives. It needs to be distributed to everyone. Everyone needs to know his role in the whole – how what he is doing now helps us achieve our shared vision.

When everyone is working together like that – no matter where they come from – there is a lot of energy in the air.

**Would you share some examples of opportunities that would not have happened had you not been committed to growth?**

Our company benefits when our employees are sought out by customers as industry experts. We have a shareholder who is a sewer modeler. He had an idea for a new way of modeling sewer flow that is different from what anyone else is doing. In a nutshell, his model enables us to more accurately identify how big of a fix a particular sewer line needs. In many cases, that fix is more economical than what is estimated by more traditional modeling methods. Our growth objectives have enabled us to keep him on board and provide him new opportunities across the country. In fact, we've built a talented team around him that is helping us achieve our corporate vision of being nationally recognized.

**That's a great story. Any others?**

We acquired a company in northern Michigan with the intent of using our expertise to grow their engineering. However, we found that their architectural talents filled our needs in southeast Michigan faster than our civil engineering could help them up north.

Meanwhile, we had sent a talented guy to Nashville to grow our municipal engineering there. He met a guy down there who opened our eyes to opportunities in the federal market, which was something we had never done before. In combining his talents with the architectural talent from the northern firm, we soon found ourselves growing an architectural business and doing eight buildings at Fort Campbell in

Kentucky. That is now leading to additional design-build opportunities in Florida, Mississippi, Alabama, Texas, and Washington.

All that came together by allowing one talented person to pursue an opportunity he was passionate about and putting our expanded resources to work with him. It has generated business that we never expected.

**It's all about keeping your eyes open to opportunities, isn't it?**

That's right. We don't want to be rigid about what type of work we'll do. I just want to focus on the "who." Get talented people in here, give them the tools they need, then get out of the way. Let them do what they do best.

**Is there a limit to how large you want to grow?**

The only constraint is our core values. We don't want our growth to jeopardize who we are. That's what made us strong, and that's what will keep us strong. If we find ourselves compromising those, we are growing too fast.

There could come a time when this company needs to grow beyond my ability to lead it. The question then becomes whether you want to lead a company that fits your talent or be part of a company that continues to grow. I have committed to growing this company, so I have to be willing to let go if I am limiting its opportunities.

We will just remain open to opportunities and see where that takes us – but again, only if it doesn't jeopardize who we are. It's not just about size.

**Have you ever made a decision to purposely slow growth?**

Yes. For example, we recently merged with a firm out of Columbus, Ohio. I had my business development people

looking for another acquisition opportunity when it occurred to me that we had work to do integrating this new company into our culture before we added another. If we didn't integrate well, we would risk losing everything we set out to accomplish with that merger. So we slowed down a bit. We don't want to lose who we are, and we want to maximize the existing base before we add more.

**I'm guessing you have people in your organization that think you should be slowing down even more in these economic times?**

Sure, but that's where it's my job to help us stay the course. It's like we're crossing the Atlantic in the Titanic. We know where we need to go, but there are icebergs out there. We must continually recalibrate based on the obstacles we encounter, but we can't take our eyes off the final destination. We're changing course but maintaining direction. Some of the crew members are saying, "Slow down so we don't hit anything!" But we can't do that. We need to keep making progress. On the other side, we have the hard chargers who want to go full throttle, and I'm saying, "Hold on, we have to get there safely." It's a balancing act. We don't want to go so fast that we can't avoid the iceberg when we see it.

**It's all about balancing pushing and patience, isn't it?**

Yes, that's right. As stressful as it can be, though, it's fun when you are surrounded by stars. We've got great people, and good things are happening.

I'm amazed at how many companies I hear saying, "Let's just ride this out." Ride this out? How many years are we talking about? If we don't move, it's going to mean a slow decline for our business. This is the time for innova-

tion, and that doesn't come from senior management; that comes from everyone in our organization.

**How do you solicit those ideas for innovation?**

We annually put out a call to the employees for new ideas. Our leadership team then has a formal process for reviewing those ideas and moving forward with the ones that hold promise. Most of the ideas have been developed over time, and our management has been involved, so it's not like we are dealing with concepts that we've never seen before.

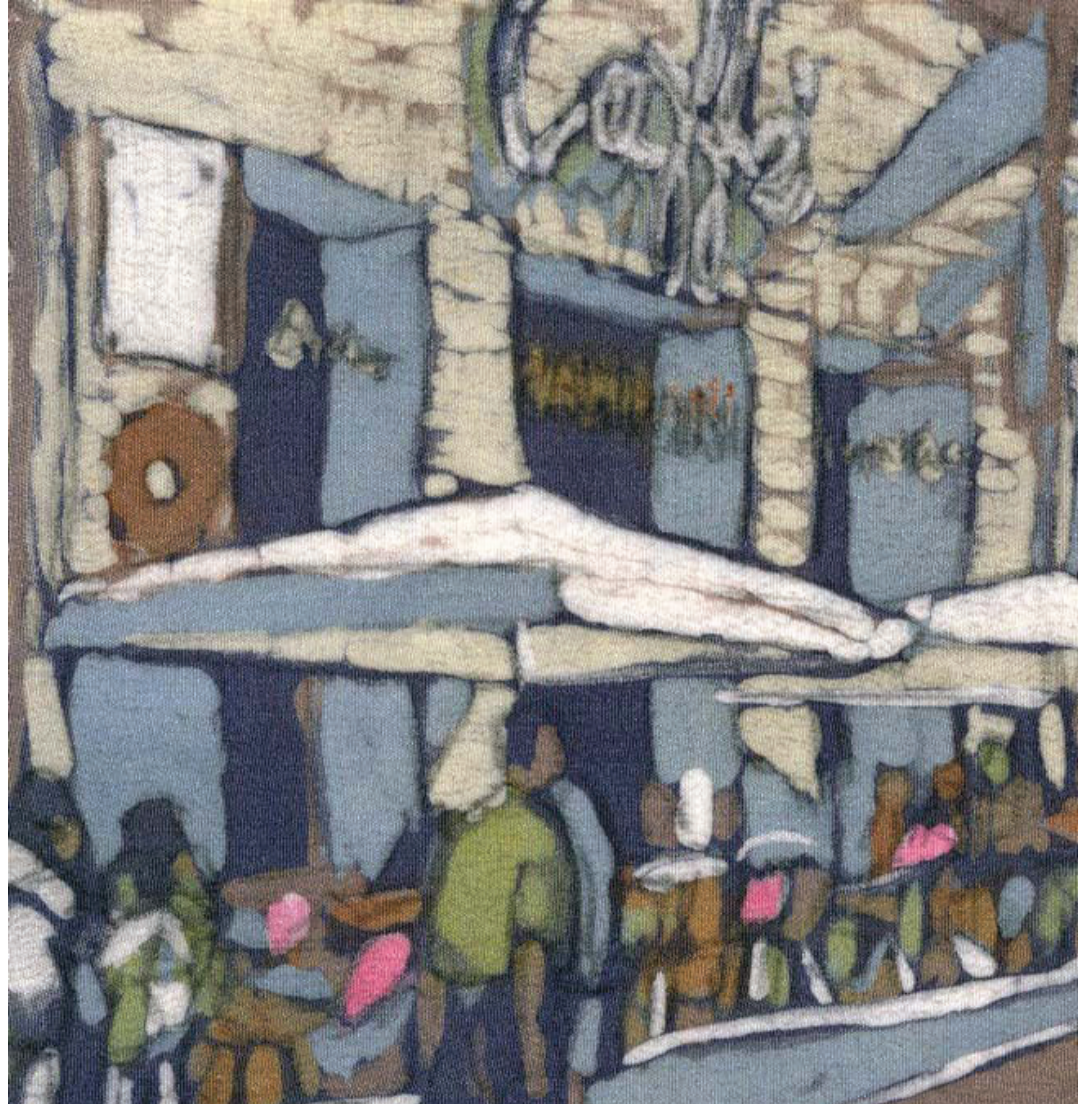
The guy with the sewer model came to us and said, "I've got a business partner that would like to take this to the next level. Would this company be interested in partnering with us?" He presented a business plan, and we said, "Yes, your

success will translate into our success, so we are willing to join hands with you and your partner." So he's a partner in this business, but we've given him the latitude to be a partner in the online development of this tool. Is it exclusive to OHM? No, but that's okay. We can't kill it by holding on too tightly. We just want to keep the expertise behind it here.

Of course, all of these new business ideas need to be consistent with our overall plan. We don't want to get away from our core. It has to move us in the right direction, and frankly, there has to be a passion for it by more than just a single individual.

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Cafe in Cuomo, Italy (Natalie Guess)