Taking the 'gas pedal' approach to growing a business

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Profiles of eyebobs, Room & Board appear in book on 'smart growth'

A business must grow or die, right?

For years, entrepreneurs, small businesses and large corporations have clung to that axiom.

But it's not true, according to business professor Ed Hess, who studied 54 successful companies that eschewed the notion in 23 states, including two in Minnesota.

Hess concludes that good growth uses what he calls the "gas pedal" approach, in which established businesses know when to rev and when to coast. Their founders hone their emotional intelligence, figure out when to hire and fire, and learn to delegate, no matter how difficult it is.

Eyebobs founder Julie Allinson grew her reading-glasses company slowly and deliberately. Her philosophy is to stay focused on what she does and do it better than anyone else. (Staff photos: Bill Klotz)

Hess, the Batten executive-in-residence in the Darden Graduate School of Business at the University of Virginia, profiled companies — including two Minnesota-based businesses — in his new book, "Grow to Greatness: Smart Growth for Entrepreneurial Businesses" (Stanford University Press).

He also posited the following about business growth:

- Growth is change, and change isn't easy.
- Growth is evolutionary, sometimes requiring tough decisions about employees, particularly managers.
- Growth requires continuous learning, constant improvement, disciplined focus and prioritization.
- Growth is process-intensive.
- Growth creates business risks that must be managed.

Two Minnesota companies epitomize what Hess considers smart growth: Golden Valley-based furniture retailer Room & Board and Minneapolis-based eyebobs, which designs and sells stylish reading glasses.

Eyebobs founder Julie Allinson grew up on an Iowa farm and transplanted her work ethic to her company, which launched in 2001. She wanted to create sturdy, stylish reading glasses, so she traveled to Italy to find manufacturers that could produce quality frames and hinges and then to China, where the glasses would be assembled.

She began marketing the glasses to optical shops, which, she eventually learned, hid them below the counter as they tried to sell customers prescription glasses. Undaunted, Allinson began marketing the glasses to men's and women's clothing stores, attending fashion industry shows and coming out with new lines twice a year.

She grew the company slowly and deliberately, and still has 20 employees. Allinson and another employee design the glasses and others handle the rest of the business.

"The first couple of years the growth is slow; it's really frightening," Allinson said. "You're worried about funding the company. You can grow too fast; you can't grow too slowly. You really have to pace yourself."

Allinson's philosophy is to stay focused on what she does and do it better than anyone else.

John Gabbert was running his family furniture business (Gabberts Design Studio & Fine Furniture) in the 1980s. In 1988, he took 8-year-old offshoot Room & Board and headed in a new direction. He decided against taking on debt and eschewed outside investors' capital and the pressure to grow.

"We were in Maine (during Fourth of July week), and we stopped to see six customers," she said. "These are customers I know by phone. I opened their accounts. I went into the store, shook their hands; thanked the people in the store for selling eyebobs. Even on vacation, you're still working."

Hess attributed Allinson's success to a slow, deliberate scaling of her business, having a great product, delivering it on time, continually improving it and staying close to the customer.

"It's work ethic; it's learning; it's being proactive, not reactive, and not being overwhelmed by hail, snow, storms," Hess said. "It feels like, 'The sun will shine tomorrow; we'll work through this.' "

The Room & Board story

John Gabbert was running his family furniture business (Gabberts Design Studio & Fine Furniture) in the 1980s and decided he wanted to do things differently. In 1988, he took 8-year-old offshoot Room & Board and headed in a new direction. He decided against taking on debt and eschewed outside investors' capital and the pressure to grow.

"I wanted to do something that I was truly passionate about and believed in and that has integrity, and that made it a really great company," said Gabbert, Room & Board's CEO. "I think if you start doing a lot of those conventional things, it's hard to have all of those. … My personal conclusion is that there's nothing personally gained by growing fast."

Instead, Room & Board grew slowly, built up a network of U.S. manufacturers to produce the furniture that Room & Board employees designed, and built trust and loyalty among employees and ultimately, customers.

"Everybody is striving to create a great experience for our customers and by truly empowering people and trusting employees, they will make the best decisions," said Room & Board President Bruce Champeau. "We have a great deal of tenure amongst our staff. When you have people who have been with us for so long, they understand the core philosophies that guide us each and every day. It's been pretty remarkable."

Hess said Gabbert built his business based upon the power of what capitalism is supposed to be.

"When Adam Smith created capitalism, it was a form of business economic activity, where everyone benefited and it was built on basic morality, social justice, fair competition," Hess said. "John believes that if his suppliers do well and his customers are taken care of, and his employees are taken care of, he will do well."

And he has done well.

Room & Board was a $12 million business 20 years ago. This year, the private company, of which Gabbert is the majority owner, is projecting sales of $290 million, up from $260 million in 2011. That's from 11 stores and online sales. The company plans to open stores in Seattle this fall and Boston next year, according to Champeau.

Hess's ideas seem simple on their face, but may be very difficult to execute, according to two area experts who educate and coach entrepreneurs.

Mike Ryan, director of the Small Business Development Center at the University of St. Thomas, said Hess' theories work better for private companies than public ones, where the pressure to grow can be enormous.

"For private companies, I agree with this guy," Ryan said. "Growing or dying is not really relevant."

Companies can grow in ways that aren't necessarily good, Ryan added, by exceeding their expertise or ability to intelligently manage that growth.

John Stavig, professional director of the Gary S. Holmes Center for Entrepreneurship at the University of Minnesota, agreed that rapid growth can put too much stress on a company.

"Too often, growth is assumed as the priority when it should be more thoughtful in terms of how it's pursued," Stavig said. "It can create a lot of downstream issues when you try to grow too fast."

Allinson and Gabbert are happy with their companies' trajectories. Gabbert predicts nothing dramatic for the future.

"We're not going to grow faster," he said "We're going to keep moving along."

Allinson is counting on the aging of the population, many of whom will need reading glasses. "We haven't saturated the market by any means," she said. "We have lots of growth left."