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Design for Life

John Abrams' company pursues conscious growth, not maximum growth

Design FOR Life

Conscious Growth

Why South Mountain Co. pursues deliberate rather than maximum growth.

BY JOHN ABRAMS

Is it true that small businesses are just big businesses that haven't succeeded yet? It's a cherished business doctrine that companies must grow or perish. But at **South Mountain Co.**—a 29-year-old, $6 million architectural and construction firm on Martha's Vineyard in Massachusetts—we don't believe it. We used to respond directly to demand. Whenever work was offered we accepted it, and if we needed to expand capacity we did. But over time we noticed the sometimes negative effects of growth, and we began to question our passive approach. We now have consistently more opportunities for work than we can handle, but we've decided not to accept them all. We expand with thoughtfulness and deliberation. Part of what makes that possible is the fact that we're employee-owned. The people who own the company and make the decisions are also the people doing the work, which has made us, I suppose, business heretics. We are challenging the false gospel of unchecked growth.

At South Mountain, we're driven as much by principled practice as profits. Since co-founding the company in 1975, I've learned that while we practice our craft building fine houses and successful neighborhoods, we also produce workplace satisfaction, support good lives, and shape strong communities. Our fundamental purpose is to use our business as a tool to help us create these good things. Over time, both the community we work in (the island) and the community we have made (the company) have come to matter to us as much as the work we do.

There are a number of core values we embrace. One is local commitment: We have made a long-term investment in the small island community where we work, with a focus on affordable housing and other initiatives. We expect that the work we start will continue for generations, much like the people who once worked on cathedrals they would never see completed.

What may be most unique about our values, however, is our commitment to conscious growth. We believe we would not remain who we are if we were significantly larger. Thus, when we grow it is by intention, not by chance.

We think about "enough" rather than "more"—enough profits to retain and share, enough compensation for all, enough health and well-being, enough time to give the work the attention it deserves, enough to manage, enough headaches, enough screw-ups.

We didn't always take this approach. The first time we began to consciously question growth was in 1994, in the middle of our most tumultuous years. We had taken on several large projects that had caused us to double our revenues and add employees. The company was shot through with anxieties, dissatisfactions, and stresses. There seemed to be a general sense we had grown too much, too fast.

We decided to measure the degree of concern. At a company meeting we hung a sheet of paper on the wall with a heavy horizontal line and an arrow at each end. The left end said, "Decrease size to 1990 level." The right end said "Continue slow growth." In the middle there was a vertical line that said "Maintain present size." Each person was given a sticky dot to place somewhere along that continuum. When we stood back to look, we found most dots were just to the right of the line, a few were to the right, and two were on the "maintain" line. Nobody placed a dot to the left. This was the group will: that we should back off on the accelerator a little, adjust ourselves to our recent growth, err toward caution, and slow down a bit.

Since then we have a similar meeting every few years. The kind of growth we want to carefully regulate is specific: it's the kind that adds employees, excessive workloads, or both. If we can increase revenue or profits without increasing the number of employees or the difficulty of working conditions, we consider it positive growth that doesn't require examination. But adding workload without increasing staff often means added stress. And adding employees always means greater obligations, because we have a decades-old tradition of zero layoffs. When we hire, we are not hiring temporary employees, but future owners to whom we feel a long-term responsibility.

For the last decade we've pursued growth at a snail's pace. Last year, however, a new consensus emerged: We agreed we have reached optimum size for now, and should direct any new growth only to internal efficiencies (like doing more with less). In short, we believe we're better off small.

Is this a conservative position? Yes, because it holds onto what works and avoids risk. But isn't it also radical? I think so. Foregoing opportunities for growth means employees of this company have chosen to value the quality of their work life over the size of the potential compensation that might come with more growth.

When necessary, we can increase capacity temporarily without growth, by using sub-contractors. We team up with micro-businesses with one to four employees. They like the camaraderie and learning opportunities. We can expand and contract without disruption. These are not temporary employees: they are independent practitioners with whom we create long-term relationships. They're like visiting professors, and we all enjoy the exchange.

Although our company may be more deliberate about limiting growth than most companies, we believe others share the same desire. As George Gendron, the editor of *INC.* magazine, wrote recently, "Wherever I go these days I run into founders who say that getting big fast is not a part of their business plan." But such a view, he added, isn't considered legitimate in business. "There's absolutely no reinforcement for such thinking in the mainstream culture, and precious few role models."

Yet he sees new trends arising in residential architecture, which may be "harbingers of cultural change." After four decades of seeing increasing size in America's homes, he says the tide is beginning to turn—with books about cottage homes selling briskly. The astonishing and unforeseen success of architect Sarah Susanka's *The Not-So-Big House* is testimony to this trend. The craft of creating high-quality, compact houses is connected to the idea of making businesses that prize quality over size. As Susanka puts it, "It's time for a different kind of house… A house that expresses our values and our personalities. It's time for the Not So Big House."

In our work we embrace the same standards she proposes: small scale, high quality, protective land use, environmental care. Why wouldn't we want our business to have the same attributes? There's a place for the not-so-big business as well.

Even within large businesses, there may be a need to think small. Anthropologist Robin Dunbar has studied how groups of varying numbers work, and he concludes there is a Rule of 150 for humans. Fundamentally, 150 represents the maximum number of people who can share a social relationship with each other. Therefore, work groups function best within that rough limit. Dunbar finds the number reveals itself in any number of settings—from hunter-gatherer societies to military organizations.

The **W.L. Gore Co.** is a billion dollar enterprise with 7,000 employees in 45 locations—but each company plant has (you guessed it) 150 people. They feel they have been able to retain the feeling of a small company by adhering to the rule of 150, and by spreading ownership and responsibility throughout the company.

John Abrams, co-founder of a $6 million architectural firm on Martha's Vineyard, Massachusetts.

> Unrestrained growth for its own sake is the ideology of a cancer cell.

Employee-owned **Chatsworth Products**, a medium-size California manufacturer, also breaks itself into smaller units. As CEO Joe Cabral told author William Greider, author of *The Soul of Capitalism*, "Most business managers think I'm crazy. I've been told, 'Joe, you can't do these operating units as small as you envision them.' Our philosophy is, we don't want any unit beyond a certain size—our magic number is around 150 people—because you need an environment of family."

While a few businesses like these are beginning to display a sensitivity to size, business literature in general has surprisingly little to say about it. Business embraces an unconscious, unquestioned acceptance of unrestrained growth for its own sake, which, as Ed Abbey once said, is "the ideology of a cancer cell." We need to begin distinguishing growth from development. Economist Herman Daly describes the distinction this way:

"To grow means to increase in size by the assimilation or accretion of materials. To develop means to expand or realize the potentialities of; to bring to a fuller, greater or better state. Our planet develops over time without growing. Our economy, a subsystem of the finite and non-growing earth, must eventually adapt to a similar pattern."

If we apply Daly's insight to our companies, we can see that remaining small, manageable, and familial has real value.

Another proponent for limiting business growth is Jamie Walter, author of *Big Vision, Small Business.* She writes that staying small is similar to "polishing a gem," rather than "acquiring an ever-expanding number of gems regardless of quality or despite the fact that they might be permanently depleting the mine."

This issue of conscious growth is integrally related to the larger issue that many socially responsible businesses are wrestling with today—the legacy problem of how to keep founding values intact over the long term. Control is a key issue, because we make the unexamined assumption that control goes hand-in-hand with provision of capital.

In order to get capital to expand, many companies that start with a social mission and find early success must go public. Once control is transferred to public markets, the machinery of the system is geared to maximum return—which requires continuous growth. Under the rules of public ownership, public firms must be sold to the highest bidder at any time, leaving them vulnerable to hostile takeover. The takeover of **Ben & Jerry's** by **Unilever** is a prime example.

If going public represents one critical turning point, another is the need for founders to exit, or to obtain expansion capital. Such needs led organic food companies like **Odwalla**, **Stonyfield Farm**, and **Cascadian Farm** to be sold to **Coca-Cola**, **Groupe Danone**, and **General Mills**. Their freedom to work for social change and uphold company values may be compromised, because the public firms that own them tend to focus primarily on growth.

South Mountain Co. can pursue conscious growth because of our cooperative business structure. We have no outside investors and no non-employee board members. We decide what kind of business ours will be. The decisions are partly economic, partly philosophic, partly personal—and the people making them have well-aligned interests. We believe that if we are not governed by a growth imperative, we have greater flexibility and the business has a better chance to fit our aspirations.

I'm not suggesting every business should be small in scale. An unquestioned attachment to smallness seems as careless as an equivalent attachment to unconsidered expansion. But in our case, we believe excessive growth can narrow our horizons and limit good things like invention, personal fulfillment, and the quality of our workplace and our products.

Staying small is about realizing when we have enough. British business philosopher Charles Handy, in *The Hungry Spirit,* says: "In most of life we can recognize 'enough.' We know when we have had enough to eat, when the heating or air conditioning is enough, when we have had enough sleep or done enough preparation.

Wall Street demands growth.
Business does not.
Neither does nature.

More than enough is then unnecessary, and can even be counterproductive... Those who do not know what enough is do not explore new worlds... they grow only in one dimension."

Sometimes frantic growth becomes a purpose in itself, because of the absence of other purposes. Our goal might be to make the finest bagel or supply the best mortgage. But why the need to make all of either? Why not make just enough? The wish to make the best, and make them all, may preclude the possibility of either.

Some say arguing about growth in business is spurious. We must grow, they say, because nature demands growth in the same way business does. I disagree. Wall Street demands growth. Business does not. Neither does nature. What nature seeks is optimized growth, and in the process it recognizes natural limits.

In the book *Upsizing,* Gunter Pauli points out that if an oak tree grows to 150 feet, it is strong enough to resist wind and wear. But it doesn't grow to 1500 feet, even when nature provides sufficient nutrients. Instead it provides room for ten other trees. If it grew to 1500 feet it would become too fragile. It would lose resilience and flexibility.

Why do businesses want to grow? Maybe it's because the pursuit of happiness seems to have become, for many, the accumulation of wealth and power. Maybe it's because we've been led to believe we're supposed to grow.

But our inquiry need not be about growth versus no growth. It better serves us to think about the quality of growth. Some things we want to grow and some we don't. We want to nurture our responsiveness, our satisfaction, our effectiveness, our reputation, our legacy, our sense of accomplishment, the quality of our products, and our contributions to human life. We don't want to increase our waste, our pollution, our unfulfilled commitments, our stress levels, or our workloads. We wish to change the measure of growth from quantity to quality. Not to grow but to achieve worthy goals.

The pursuit of more power and wealth may be like chasing a porcupine—you just might catch it. And that may have consequences as painful as the porcupine's quills. I suggest there may be optimal scales for different businesses, that we need to think more broadly about the meaning of growth. Perhaps it's time to bring a new word into the business vocabulary. That word is "enough."

Adapted from the book by John Abrams, The Company We Keep: Discovering the Cornerstones of Small Business and Community, *forthcoming from Chelsea Green Publishing in spring 2005 (www.ChelseaGreen.com, 1-800-639-4099). Contact John Abrams at Jabrams@Vineyard.net; website www.somoco.com.*

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