

# Brotherly Entrepreneurs

## Schwieters Group taps housing boom and grows into \$50 million enterprise

BY STACY FREEBORG

When explaining the reasons behind the Schwieters' success, Joel Schwieters jokingly refers to the words his nine-year-old son uses to interpret the family's good fortune: "Pure luck." Certainly luck has helped, but smart growth strategies, a drive for constant improvement, and people-oriented philosophies have played larger roles in making this 20-year-old family operation into an estimated \$50 million collection of businesses.

The foundation of the Schwieters' enterprises is the home construction business. Armed with only a couple borrowed circular saws, John Schwieters started JL Schwieters Construction to do exterior framing and sheathing for Twin Cities-area homebuilders in 1980. Two years later, his older brother Joel started Schwieters Finish Carpentry to install cabinets, doors, stairways, and other interior woodwork. The two collaborated on their first housing development in 1984, thereby marking the beginning of their lucrative working relationship.

Home construction remained their only business until 1995, when the brothers began adding companies to bring more dollars and diversification to the Schwieters' plate. The first acquisition was Builders Equipment Co., a New Brighton dealer for the Pettibone line of heavy-duty forklifts. In 1996, John and Joel formed SB Commercial to act as general contractor in the development of commercial buildings and rental properties. Two years later, they

joined another brother, Bob, to buy a Glenwood, Minn., Chevrolet/Oldsmobile dealership. And in 2000, John started JL Schwieters Manufacturing to produce stairs, headers, and window and door framing for the construction business.

They also recently formed Schwieters Properties, a real estate holding company that temporarily owns properties under construction and their own new 40,000 square foot headquarters facility in Hugo, Minn. They have future plans to own more real estate in industrial or residential/rental property.

### Building the Framework

The brothers attribute the mental gusto that they apply to their businesses on values they learned while growing up in a farming family of 14. Joel and John, two of the nine boys, developed a commitment to efficiency and a rigorous work ethic doing chores and helping to construct several buildings on their father's dairy farm in central Minnesota. As young adults, the

brothers began working as carpenters, then eventually added small crews, and the rest is history.

Today, their construction business has the largest crew of on-staff carpenters, totaling nearly 250. Over the years, they have built nearly 30,000 units of residential housing for Centex, Pulte, D.R. Horton, and others. In 2000 alone, they completed 3,000 units in the Twin Cities metro area.

"Having a large, captive field force of skilled carpenters not only allows us to move quickly on a project," says John, "it also enables us to meet delivery deadlines that would be impossible for most contract builders."

Some of the projects the Schwieters have worked on include a 900-unit, mixed-housing development in Apple Valley by Pulte Homes, and Carver Lake, a 52-unit townhome project in Woodbury. While most of the companies' projects have been in the Twin Cities and western Wisconsin, they have also worked in North and South Dakota, Iowa, and southeastern Wisconsin.

An infiltration of national builders into the Minnesota market has definitely helped raise the Schwieters' revenues, says Joel. And the forecast looks promising for increased profitability. State demographers estimate that 220,000 new households will appear in the Twin Cities in the next 20 years. In a multi-housing market where vacancies are extremely low and rents continue to climb, they are well-poised to take advantage of a growing demand for new developments.

### Eyes on Efficiency

With an unwavering dedication to forward progress, the brothers have their eyes set on developing a more efficient and cost-effective construction system for multifamily housing developments. On their site in Hugo, the Schwieters are creating a 130,000 square foot, three-building construction park. With the headquarters facility complete, the brothers are now raising the beams on the second building, a 45,000 square foot facility for mill-work and pre-finish construction operations.

For the pre-finish work, they are contracting with Painting Perfection, a Golden Valley company that is relocating in to 15,000 square feet in the new building, which is expected to be completed by early 2001. The Schwieters are also planning on constructing a third 45,000 square foot facility that will house the company's pre-cutting operations to enhance their framing products and provide space for future expansion.

When finished, Schwieters will have created a \$6 million construction park that brings all the trades together for building mostly townhomes and some single family homes. The park's operations will receive raw materials, direct them to the pre-finish and pre-cutting facilities, where the housing pieces will be prepared for a one-time delivery and installation by Schwieters' carpenters.

"This will allow installers to be more efficient with a focus on 100 percent

deliveries," says Joel. "We will be in control of when the material arrives at a site. It allows us to have better control of the process." Especially in a labor shortage environment, the ability to forecast when 100 percent of the materials will be delivered allows for better allocation of time and labor as well as management of work flow.

### Partnering with Employees, Technology for Improvement

The Schwieters believe in the importance of partnering to achieve continuity and improvement. In light of recent tight labor markets, the brothers think their policy of treating quality people right and giving them the tools to learn has helped retain a solid base of employees. In addition to the founders, several employees have been with the company since its inception.


At their headquarters, the Schwieters have a training center that focuses on education for management and carpenters. Recently, the company held a three-day training session for field personnel to review semi-annual customer survey results. Customer reviews measure feedback on the company in general, installations, and quality control. Since beginning the surveys in 1995, results have improved considerably in areas such as the courtesy of field personnel and the quality of installations. To tie employee contributions with the feedback, positive results are factored into employee bonuses.

As evidence of the company's commitment to its people, they also focus

on having the workday end a 5 p.m. for everyone. "There are jobs out there that require a 15 to 16 hour day," says John. "(We think) there needs to be a clear understanding of when the day starts and ends." Because they give people the flexibility to get their work done, they don't "have much trouble with water cooler talk," he adds.

In addition, the brothers stress the importance of family time and work with employees to give them requested days off. "Even if we're busy, we'll work with employees to get them that time off. It pays off in the future with partnering and loyalty," says Joel.

Beyond quality people, the Schwieters also rely on technology to improve their processes. They are the first builders to make sure a forklift is available at every site to enhance labor, for example, says John. In addition, the Schwieters capitalize on the Internet to receive job starts as well as communicate up-to-date project changes with other development partners.

They also recently implemented software that gives job cost reporting by showing the profitability of each home, employee, builder, and residential community. As a testimonial to their constant drive for progress, Joel adds they intend to use the software to "see where we need to make improvements in the process." 

*Stacy Freeborg is a Twin Cities-based freelance writer. Also in this issue, Ms. Freeborg writes about cash management for growing companies (page 40).*

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**– John Schwieters**