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Masterpiece Staircase
& Millwork's Kevin
Schoolcraft

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FLIGHTS OF FANCY

A new owner wins over his craftsmen — and turns around our Small Business of the Year — with some skills of his own.

By Edward Martin

Metal buildings line Gribble Road in Matthews, east of Charlotte, housing a private garbage-collection service, car repair shops and other businesses. In one,

Kevin Schoolcraft pushes through a door from offices into a shop that covers a quarter of an acre. It is filled with the smell of wood — Brazilian cherry, walnut, white oak

— and the whine of saws. He sizes up a half-finished staircase that nearly reaches the ceiling, its curves as graceful as the treble clef on a score. If this were music, it might be Pachelbel or Vivaldi.

Schoolcraft bought Masterpiece Staircase & Millwork Inc. 18 months ago. Staircases built here for luxury homes can cost \$100,000 or more. But losses were mounting — \$30,000 one month, \$40,000 another — and workers were dispirited. “When you’re

Owner Kevin Schoolcraft bills what his craftsmen can build.



"I didn't know a lot about how to build staircases, but I saw a lot of opportunities on the business side."



constantly hearing, 'We need more, we need more,' it really brings down morale," says Aaron Hensley, who joined the company in 1999 after earning an art degree at UNC Charlotte. Schoolcraft opened the inner working of the business to its employees, artisans like Hensley. "Kevin lets us know if we're making money. It's nice to hear your hard work is paying off. I feel better about the future here than I ever have."

Schoolcraft, 38, has worked with wood only enough to value the craft. He once bought a router, saw and other tools to make a swing set for his daughter, molding for his son's bedroom and a bar for his basement, but he is neither artist nor artisan. The renaissance of Masterpiece Staircase, *BUSINESS NORTH CAROLINA's* Small Business of the Year, represents the triumph of the MBA. Weary of corporate life, Schoolcraft searched for a business where he could put to work the degree he had earned more than a decade before.

"I can appreciate quality. I can't tell guys like Aaron how to build a staircase, but I can use my financial skills to provide them the opportunities and the tools to do that." Since buying the company in June 2005, Schoolcraft has reversed its slide down the financial banister. He did it with business acumen, marketing and elbow grease, plus the belief that a good manager can make money doing almost anything: "The two we ran all the way down to the finish line were this one and a service that cleans corporate offices." He expects his business to earn 17% on sales in excess of \$1.2 million this year.

He took on a bigger task than he admits. "It's harder to stop something from crashing

SMALL BUSINESS OF THE YEAR

MASTERPIECE STAIRCASE & MILLWORK INC.

Headquarters: Matthews

President: Kevin Schoolcraft

Employees: 13

Founded: 1987

Projected 2006 revenue: more than \$1.2 million

Business: Custom staircases and millwork

and put it on an upward path than it is to start from scratch like I did," says Richard Yow, whose Rick's Auto Marketing Center in Carthage was last year's winner. "Kevin's company most likely wouldn't have made it if he hadn't stopped the downward spiral." Yow was one of three judges in this year's competition, sponsored by BB&T Corp. The others: Gail McDonald, the N.C. Commerce Department's small-business ombudsman, and David Kinney, RNC editor-in-chief.

Michael McGregor, a Charlotte business broker who arranged for Schoolcraft to buy the company — started by a homebuilder in 1987 as Masterpiece Woodworking — says it had stagnated. "You hear the phrase, 'red-headed stepchild.' The operation wasn't the builder's core business." Sales exceeded \$1 million some years but had drooped to about \$870,000 in 2004. The new owner has shimmied it up in other ways, including building its operating reserve from zero to about \$100,000. "Kevin is more of an older Generation Xer than he is a baby boomer," says Griffin Bettencourt, his BB&T banker. "But he has the financially conservative baby-boomer mentality that says, 'I need to work and operate within my means.'"

The spiky-haired boss resembles a rock guitarist, which he is on Fridays when some of the guys in the shop knock off and crank up the amps. The route he took to get here

joined Columbus, Ohio-based Glimcher Realty Trust to do similar work.

The twist that led him to Charlotte came in 1998, when he became a regional real-estate manager for Limited Brands, the Columbus-based retail conglomerate that includes such mall staples as Victoria's Secret, Bath & Body Works, Express and The Limited. Two years later, it transferred him to Charlotte and put him in charge of real estate in a six-state territory. He quit in 2004 to begin his search. Though in his mid-30s, he and wife Tracy, an executive with Bank of America, had socked away substantial savings. "We're savvy enough — cheap enough — that we knew we could live on one or the other's salary."

A

triathlete, skydiver and mountain climber who has scaled the highest peaks in 21 states, he was not reluctant to take a leap of faith. But

what tipped him to Masterpiece wasn't its balance sheet. "I felt some sort of romance in wood, craftsmanship and handcrafting. It was absolutely clear the quality of work here was the best you could find anywhere. I didn't know a lot about how to build staircases, but I saw lots of opportunities on the business side." As McGregor says, "The company needed someone with a strong financial skill set. Kevin had gotten his financial expertise working for large companies, but he was not some guy from an ivory tower. He's a common-sense kind of guy."

After he cinched the deal — he wouldn't disclose the price — he wasn't as worried about making the numbers work as he was with winning over the employees: skilled craftsmen such as Hensley, Larry Finks, a former furniture maker, and Ken White, who had been an aerospace machinist. "After graduating from college, I piddled around until I saw an ad for a 'quality-minded woodworker,'" Hensley says. "I got here and found out it was a staircase company. It was very much 'in the door, out

***"The company needed someone
with a strong financial skill set."
He coupled it with common sense.***

was as roundabout as a Pete Townshend windmill riff. An Ohio native, Schoolcraft received a bachelor's in communications systems from Ohio University in 1990 and an MBA in finance and real estate from Ohio State in 1994. He went to work buying real estate for the Ohio Public Employees Retirement System and, two years later,

the doc' — a repetitious kind of thing." But Masterpiece offered artisans a steady paycheck to support their families.

"Craftsmen here had been doing what they were doing for 20 or 25 years," Schoolcraft says. "And now they had some punk

his payroll to 13 and about \$10,000 a week. He made a pact with them: He would run the office, take care of the business; they would be the experts in the shop. "I couldn't begin to tell these guys how to build a staircase" — a point he keeps making — "but what I brought could be applied to a lot of different businesses."

Case in point: For years, Masterpiece had leased a telephone system for about \$13,000 a year and paid long-distance fees that amounted to \$1 a minute. He negotiated a contract with another provider for cell phones that cut costs to about \$6,000 a year. "There were 15 or 20 things like that," he says. "We have an Ace Hardware down the street, and we were making a trip every other day. These guys are billable at \$60 an hour. If it takes a half-hour, that's \$30." Schoolcraft instituted what he calls a Monday-morning quarterbacking session and general discussions of the company's finances.

It wasn't rocket science, he says.

"What I brought could be applied to a lot of different businesses."

kid supposedly telling them how to do their work. That was my greatest fear, that they'd see me that way. The company had been run by a woodworker with good wood-working skills but not much business knowledge." Within the first months, he fired two people and has added five more, bringing

28 years of delivering quality projects on time, on budget.



EDIFICE

"They'd never been privy to this. But just by making a list and going to Ace Hardware only once or twice a month, we're saving \$400 to \$500 a year. It's not rocket science. I wanted to save money to have the best craftsmen, then buy them tools and equipment that allow them to do a better job more efficiently." He gave merit-based raises — for some

their first in five years. He paid Christmas bonuses, again based on individual performance. He vowed not to cut quality. In building stairs, 50% of the cost is labor, with overhead and materials each adding 25%. He reinvested profits, plowing more than \$250,000 back into equipment and software, increasing assets to nearly \$480,000.

It began with a business plan. "I had detailed five- and 10-year pro forma in there, category by category, as to what I was going to do and the growth I hoped to see." That includes an estimate of the company's potential: \$5 million to \$10 million a year in gross revenue. Bettencourt was impressed: "With that in hand, it wasn't necessarily a hard deal for BB&T to finance."

The banker also liked how Schoolcraft ferreted out inherent flaws in the business. The previous owner had been pricing stairs and other work — about 10% is millwork, refinishing and other lines — for less than cost. "A consultant had created a spreadsheet that the owner didn't understand," he says. "Labor and material had not been updated for years, and they'd never done a time study. We threw everything out and started from scratch." Prices went up but then leveled off.

Schoolcraft's imprint is all over the company. On a drafting table in what serves as his showroom lie blueprints of staircases. A photo of a staircase at Washington and Lee University in Lexington, Va., hangs on one wall — Masterpiece made the handrails. Most customers are builders of multimillion-dollar houses. But the showroom also attracts buyers picking out the features they want. "Most of the time, the decision maker is the wife, and when I came here, this room had 3 or 4 inches of sawdust on the floor and plans scattered everywhere." He budgeted \$15,000 for marketing, developed a logo, started a Web site and printed brochures and other sales materials. Now he's looking to the future. The smells of wood and glue permeate the 12,000-square-

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foot shop. Exotic woods, some costing nearly \$10 a linear foot, await staircases. "We're gluing this one up right now," he says, counting a half-dozen ways his craftsmen build stairs strong and rigid. "It'll have a lifetime guarantee. If it ever even squeaks, we'll come out and fix it."

Some staircases seem to defy gravity. Typical might be the double-elliptical model for a house in Concord. It spirals from an upper-level bedroom and landing to a basement wine cellar, incorporating circles, right angles and landings. Most are built here, then trucked to sites, where his employees install them. "The nature of construction today is such that no walls are perfectly straight," he says. "You have to have your craftsmen on site."


The curves, he explains, are created not by steaming or exotic techniques but by patiently layering and laminating slivers of wood. The shop typically turns out five or six jobs a week, from simple \$2,000 models to the \$286,000 one that went into a bank. In the center of the room sits his latest — and most expensive — upgrade: a \$190,000 Italian Biesse Rover router, controlled by computers. "Things that used to take one guy 24 hours we can now do in five or six hours, at an accuracy of one-hundred thousandth of an inch. Parts fit together like a glove."

He's trying to make sure his business fits into the future just as tightly. Uneven cash flow can crush a small business; he's felt the pinch. "We basically serve as a small bank for small home builders, and often it's a couple of months before we see a payment." He now keeps a \$100,000 bank balance, 15% off the top of each sale, to get by without constantly borrowing.

"We don't want to hang our hat on it, but I don't think you'll see a

slowdown in the \$5 million homes. Still we're diversifying geographically and in what we do." Masterpiece has begun sales in Myrtle Beach, S.C., and some Virginia markets. It might start targeting lower-cost houses, possibly as low as \$500,000, and will launch Internet sales of stair parts to homeowners and remodelers early next year.

Schoolcraft unfolds a drawing for intricately carved panels, with scrolls and other patterns, that a customer wants for a house he's building. "We could never afford to do this by hand," he says, "but the technology we now have will allow us to." For a song, comparatively speaking, by a Stradivari with an MBA. ■



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