

**Framing and finishing homes for national developers has helped Joel and John Schwieters exceed \$55 million in annual sales. Growing vertically, they plan to increase that by 20 percent this year.**

# HOME BOYS

**By Joel Hoekstra**

**Photography by Dave Turner**



**H**ave you ever seen a cleaner job site?" Joel Schwieters asks. It's a crisp autumn morning, and Joel and John Schwieters, brothers and the respective owners of Hugo-based Schwieters Finish Carpentry and J. L. Schwieters Construction, are touring a new subdivision located roughly a mile away from their company headquarters. They've pulled into a packed-mud driveway to check the progress on one of the two-story, eight-unit, multifamily structures that their carpenters have been erecting one after another all summer.

The homes virtually burst into view—a Schwieters crew can frame an eight-unit home in 20 days. But for all of that activity, the yard is remarkably free of scrap wood, rusty nails,

flapping Tyvek—the hallmarks of residential construction chaos. Save the occasional sounds of hammers and saws coming from inside, the site seems almost eerily neat and quiet.

"It always looks like there's nothing happening," John says. "But at the end of the day, there's a building."

The Schwieters beam with obvious satisfaction at the scene. Of course, such economy and cleanliness would warm the hearts of any sons of Stearns County with German farm-family roots. But for Joel and John Schwieters, the freshly minted, newly painted homes springing up on the edges of tiny Hugo are something more: a sign of good times.

For the past decade, the Schwieters brothers and their crew of 270 carpenters—reportedly

the largest number employed by any residential contractor in the state—have surfed a tsunami of growth in metro-area housing, riding the coattails of such national developers as D. R. Horton, Inc., Pulte Corporation, Centex Corporation, Rottlund Homes, and Ryland Homes. The brothers carved out a niche for themselves as framers and finishers when they entered the construction business in the early 1980s, and in the past year alone, they have framed about 1,400 homes and finished more than 2,600. They've outgrown their two new office-warehouse buildings, totaling 75,000 square feet, and in October they broke ground for a third building in Hugo. Their collection of eight companies—which includes a commercial-development firm, a building compo-



nents manufacturer, and a car and truck dealership, among others—produced an estimated \$55 million in combined sales last year.

This year, “we expect 20 percent to be our modest growth plan,” says Joel Schwieters. “Hopefully we’ll grow more than that.”

### **POSITIVE INDICATORS**

Twenty percent is an ambitious figure, especially given recent ripples in the American economy. What’s more, Minnesota’s construction sector continues to battle a skilled-labor shortage that has beset the industry for much of the past five years.

But if John and Joel Schwieters seem sanguine about the future, it’s with good reason. Even in the wake of the September 11 attacks

and the subsequent economic downturn, local housing-industry representatives have yet to see a dip in demand for new homes.

“All indications are that we’re still going to be a very strong construction market,” says Wendy Banks, marketing director for the Builders Association of Minnesota, based in St. Paul. Construction was expected to begin on more than 14,000 residential units by the close of 2001—a number that falls short of the record 17,679 starts in 1999 but still outpaces growth during much of the 1990s. Mike Swanson, vice president of operations for Roseville-based Rottlund Homes, Inc., a developer operating in Des Moines and Tampa as well as Minneapolis-St. Paul, says his company remains on track to sell an estimated 800 units in the Twin Cities by

**John Schwieters (left) and his brother Joel are streamlining their construction business by controlling more and more of the process. Their long-term goal is being able to “do a house a day,” says John. “We’re halfway there.”**



**Newly installed software allows John Schwieters to save and manage framing plans, reducing costs and expediting construction.**

year's end.

As for the labor shortage, the Schwieters have taken a multipronged approach. Rather than subcontracting with smaller firms and individual carpenters, they offer workers full-time, year-round employment. Employees are eligible for health and dental benefits, a 401(k)

plan with an employer match, and profit-sharing plans. If customer satisfaction surveys done every six months show incremental improvements, employees split a pool of bonus dollars that can range from \$15,000 to \$40,000, depending on the extent of the improvements.

New hires are few, the Schwieters say, because they benefit from high retention rates among their existing workforce. Such loyalty may stem from the fact that many Schwieters employees have known Joel and John since childhood, when the brothers grew up on a farm seven miles south of Melrose. Sons of a third-generation farmer and his wife, they quickly learned the virtues of efficiency and economy in their parent's dairy operation—in terms of time, materials, and money. In a family of 14, everything had to stretch, and Joel and John learned to take nothing for granted. "Growing up on a farm, there's a lot of risk, because you're dependent on the weather," John Schwieters says. "Despite all your work, you're not guaranteed to get any results at the end of the year."

Perhaps for that very reason, their father didn't insist that his children become farmers. John and Joel moved to Minneapolis to look for work in the late 1970s. Joel sold real estate, then landed a job doing finish carpentry. John joined a small framing company, then teamed with his older brother Leo to do exterior framing and sheathing.

By 1984, John had enough experience and expertise under his tool belt to land a lucrative job with now-defunct developer New Horizon Homes building 40 townhomes in Woodbury.

He subcontracted Joel to do the cabinets, doors, stairways, and other interior woodwork. It was a collaboration that would prove profitable over the long haul.

### GOING VERTICAL

As Pulte, Centex, and other national developers moved into the Twin Cities

in the early 1990s, demand for large-scale crews of framers and finishers rose dramatically. The Schwieters parlayed their experience with New Horizon (for which they built more than 2,400 units in the 1980s, matched by several thousand homes they built for other developers) into larger and larger jobs. They hired labor as needed to satisfy the quick-turn-around requirement of their customers, and they had a knack for delivering on-time, high-quality results.

Between 1990 and 1995, combined revenues from the Schwieters' companies doubled from

\$4 million to \$7.9 million. And by 1995, J. L. Schwieters Construction had 100 employees; Schwieters Finish Carpentry had 25.

"Prior to 1990, there wasn't enough volume or economy of scale to think long term," says Joel. "But with the national builders coming to town—with goals of 1,000 units per company per year—that allows us to plan long term. That helps tremendously."

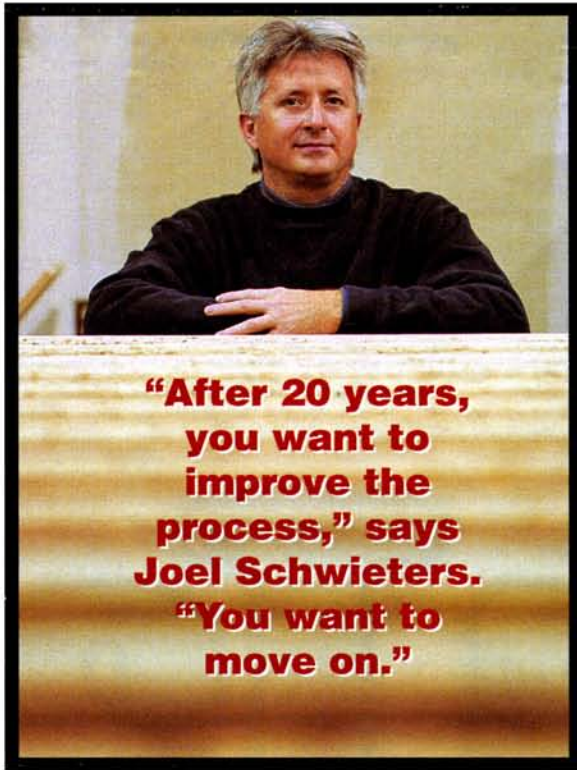
To capitalize fully on national homebuilders' growing appetite for services and materials, however, would require the Schwieters to widen the scope of their business. Providing framing and finishing materials—as opposed to just labor—would entitle them to a larger slice of the construction-spending pie, and reducing their own up-front costs would boost their margins.

So in 1995, to reduce equipment costs, John purchased New Brighton-based Builders Equipment Company, a forklift dealership that now provides equipment to his construction operations and sells to other companies as well. In 1998, the two Schwieters partnered with another brother to buy a car and truck dealership through which they channel the purchase and resale of all of their company vehicles. (They rotate their fleet of nearly 100

## ALL IN THE FAMILY

Brothers Joel and John Schwieters have started or acquired these eight companies in pursuit of their vertical-integration strategy.

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| • <b>Schwieters Finish Carpentry</b>    | <b>Installs molding, doors, and other interior woodwork</b>   |
| • <b>Schwieters Millwork</b>            | <b>Provides materials to Schwieters Finish Carpentry</b>  |
| • <b>J. L. Schwieters Construction</b>  | <b>Frames houses</b>  |
| • <b>Builders Equipment Company</b>     | <b>A dealership for Pettibone forklifts and other heavy-material handling equipment and supplies</b>            |
| • <b>Schwieters Chevrolet</b>           | <b>Provides fleet vehicles—on a three-year rotation schedule—for the Schwieters' other businesses</b>           |
| • <b>Schwieters Properties</b>          | <b>A real estate investment holding company that manages and leases properties to other businesses</b>          |
| • <b>S. B. Commercial Company</b>       | <b>A general contractor that buys land and develops and builds commercial and residential rental properties</b> |
| • <b>J. L. Schwieters Manufacturing</b> | <b>Produces staircases and other components for residential developments</b>                                    |



vans and pickups every three years.) Eventually, their circle of businesses grew to encompass a commercial construction venture and a commercial-properties holding company.

This vertical integration is essential to the Schwieters' strategy. The risks and benefits

of each of these additions have been carefully calculated, and each new company adds to the efficiency of operations or expands the offerings the Schwieters can provide to customers. "They're very careful about venturing into something that they're not good at," says Dan Thomas, construction services manager at Centex Homes, which contracted with J. L. Schwieters to frame roughly half of the 600 or so homes it built in 2001. "If they don't think they'll work out for you, then they'll let you know ahead of time." A few years ago, for example, the Schwieters demurred when Centex offered them contracts to build single-family homes, saying they really felt multifamily housing was their specialty.

### "COMPONENTIZED"

Expansion into new areas is a key to the Schwieters' goal of 20 percent growth, but they'll focus on materials rather than new types of construction. In 2000, for example, Joel Schwieters launched Schwieters Millwork, a supplier of wrap-around trim, doors, and other wood finishing components. Although his carpentry company has done installation for more than 20 years, the millwork business is his first foray into supplying materials and labor. "Material is about double the cost of labor," Joel says, "so if we're doing \$5 million in labor alone now, we want to go to \$15 million in solid sales."

Schwieters Millwork currently subcontracts the manufacture of its materials, but simply controlling the supply and delivery of such goods will improve overall margins. "For the

first 20 years, we just installed the materials that someone else delivered," Joel explains. "But we tracked it, and only 50 percent of those loads were complete deliveries. If you needed 10 doors, there would maybe be eight doors delivered. A week later,

those two doors arrive and you have to go back out to the job site, hang them, put in the bases, and on and on and on . . . After 20 years, you want to improve the process. You want to move on."

John Schwieters, meanwhile, is beginning to reap the benefits of newly installed software that automatically determines the most efficient framing solution for any building job. Carpenters typically redraw or revise an architect's plans before building a house, but the changes they make aren't always recorded. A framing contractor may build the same model 400 times over the course of a decade, but each carpenter generally must start from scratch in drawing up a framing plan. Saving framing plans on a computer means the changes are never lost, and the up-front costs of revising the design are spread out over several usages. (There's also an initial time savings of 25 percent over rendering such plans by hand.) Modifications can be made instantly, and gaining approvals for changes and getting those changes into the field is expedited.

A push for efficient use of materials and time is likewise the driver behind the launch of J. L. Schwieters Manufacturing in 2000. In recent years, prefabrication of walls and other construction components has become increasingly common. "Componentizing," as this practice of mass-producing building blocks for non-custom homes is called, involves constructing such pieces in a shop and then shipping them to the job site. Though added overhead expenses typically make prefabrication somewhat more costly than on-site construc-

tion, the time saved in the on-site building cycle has made componentizing attractive to many builders.

Unlike competitors in Minnesota and elsewhere, John Schwieters has zeroed in on the construction of staircases and fireplace-TV built-ins, elements that take considerable time to erect on site. A typical staircase in a housing unit, for example, requires about 10 hours of labor. Multiply that by eight units per multifamily residence, several multifamily residences per community, and several new housing communities across the Twin Cities, and those hours stack up quickly.

Building staircases or other components en masse in a shop, says John Schwieters, boosts consistency and quality. Computers and automated equipment reduce the potential for human error and waste. Labor, as workers cut pieces in batches or let technology do the work, is reduced. And weather is only a factor on the day the completed components are dropped into place. The construction-site time required to install a staircase goes from 10 hours to an hour or two—and it becomes clear why the Schwieters and their customers are excited about the potential of componentizing.

By last fall, several of the Schwieters' customers had expressed interest in Joel's millwork products. And at least one developer was talking about putting the Schwieters manufactured components in all of its Minnesota homes—not merely the ones for which the brothers supplied labor. A deal with Home Depot to sell another component—which John declines to discuss further—is also in the works.

Those are all just pieces of a larger strategy, but like most carpenters, John and Joel Schwieters have an eye for detail. It's the little things—a well-constructed miter, the elimination of a small step from a production process—that satisfy them.

"People say, 'Why bother with those little things? Who cares if you can save a piece of wood here or an hour of labor there?'" John Schwieters says. But "the little things turn out to be one big thing at the end." ■

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