

Roanoke construction firm The Branch Group: Building on success

The Branch Group has grown into one of the region's largest construction firms by maintaining diverse revenue sources.

Duncan Adams

Ken Twitchell's body rests in a cemetery across Airport Road from former employer Branch & Associates.

"Ken came to Roanoke and needed a job and he came to us," said Jim Harrison, 62, who retired Jan. 14 as chief executive officer of The Branch Group.

The Roanoke-based company includes general contractor Branch & Associates among five subsidiaries. The contractor hired Twitchell in 1987 as a laborer.

"Ken was one of those guys who would do anything you asked of him," Harrison said. "He was always focused on what was good for the company."

Twitchell also was one of many blue-collar and salaried employees who have benefited from The Branch Group's employee stock ownership plan, which the company considers a key hallmark and contributor to its success.

The stock plan is but one of The Branch Group's strategies to succeed within a fiercely competitive industry -- one for which the economic downturn has intensified the rivalry for work.

The group's subsidiaries also include G.J. Hopkins, a mechanical and electrical contractor, and Branch Highways, both Roanoke-based, as well as two construction companies headquartered elsewhere.

These five companies provide diverse revenue sources that help mitigate the effects of recession and yield opportunities for collaboration, Harrison said.

Twitchell retired in 1999. He died in 2001. The company learned then that he had willed thousands of dollars to fund an endowment to help pay college expenses for the children of Branch & Associates employees. Harrison declined to disclose the amount bequeathed.

Succession

As a 100 percent employee-owned company, The Branch Group in recent years has emphasized spotting employees with potential to become company leaders. Ironically, the recession's erosion of the group's volume of work has freed up time to plan for succession.

Will Karbach, 44, is The Branch Group's new CEO. He will continue as president of Branch Highways.

Karbach, a New Jersey native and son of a union pipe fitter, joined The Branch Group 14 years ago as an assistant project manager for Branch Highways.

He begins his new leadership role in the midst of rocky times for the construction industry. Karbach said this recession is the worst and longest he's encountered in more than two decades in construction.

"I don't see it breaking loose in 2010," he said.

Karbach said he is excited about his new job but also cautious. He follows company leaders who have taken the Branch companies from revenues of \$10 million in 1978 to \$356 million in 2008.

Family history

Branch traces its roots to 1955, when Bill Branch and father-in-law Claude McAlister co-founded McAlister Construction Co. The company reorganized as Branch & Associates in 1963, with Bill Branch as owner.

"I think Billy Branch did it the good old-fashioned way -- with hard work," said Stan Breakell, chairman and CEO of competitor Breakell General Contractors in Roanoke.

Branch retired in 1993 and cousin Ralph Shivers became CEO.

Today, no one in the Branch family works for The Branch Group. But the family remains well-known in the region. Betty McAlister Branch is a highly regarded sculptor with a studio in downtown Roanoke. Bill Branch, now 81, has long been an active supporter of Habitat for Humanity, the Roanoke Rescue Mission and Young Life, an international organization headquartered in Colorado whose mission is introducing young people to the Christian faith.

Denny Rydberg, president of Young Life, said Bill Branch played a major role in establishing Rockbridge Alum Springs near Goshen, one of the organization's busiest youth camps.

"Bill was instrumental in not only finding but funding Rockbridge," Rydberg said. "I am grateful for his role in building this great camp and for his faithfulness to the mission of Young Life."

Stock ownership

The Branch Group's employee stock ownership plan began in 1982. The group and its companies became 100 percent employee-owned by 1992. Bill Branch retired in 1993.

"I am proud that I could turn the company over to the employees and that they have done an excellent job since I left," Branch said recently.

Other Roanoke-based contractors, including Breakell, J.M. Turner & Co. and Varney Electrical, Mechanical, Plumbing and Integrated Systems, have employee stock ownership plans with varying degrees of employee ownership. Varney, like The Branch Group, is 100 percent employee-owned.

Harrison said the stock ownership plan is a good deal for employees who stick with the company -- offering an opportunity for a well-funded retirement.

"I think we are kind of a unique story," Harrison said. "And at a time when big businesses are pulling out of the Roanoke Valley there are not a lot of good options for young people to make a living here."

Owning a stake

Karbach said the stock plan helps attract, retain and motivate good employees.

Having a stake in the company's success creates an "ownership culture," Harrison said.

"There becomes a level of expectation among employees that everybody has to have their hands on the rope and pull really hard," he said.

Wayne Duckett, a superintendent for Branch & Associates, is overseeing work on the Market Garage in downtown Roanoke.

"I've been with Branch for 26 years and, hopefully, if we manage ourselves well, I'll have some money for retirement," he said, smiling.

"As an employee, the [stock plan] motivates you to make sure things are done right, done efficiently and reflect well on the company," Duckett said.

Paul Bratton is president of Varney.

"Employees here think like business owners," Bratton said. "They have a real stake in the game and they will benefit down the road as the company is successful."

At the Branch companies, employees start being vested in the stock plan after one complete year and become fully vested by the end of their sixth.

"Suffice to say that many long-term employees who have retired from the company have been able to do so with a level of comfort and security that is not typically found in our industry," Karbach said.

Like any equity stake, an employee stock ownership plan carries risk tied to the company's performance, a reality that serves, said Karbach, as a "pretty good incentive to keep ourselves profitable, especially for those for whom retirement is still many years away -- like me."

Employee stock ownership plans can offer additional benefits for companies, including the potential for significant tax advantages.

Moving forward

The Branch Group's collision with the international economic crisis was buffered by entering the downturn in strong financial condition, Karbach said, and with "a significant backlog of work."

But securing new work has become challenging. And The Branch Group is "seeing some downsizing and some layoffs," Karbach said.

Still, as Harrison prepared for retirement earlier this month he sounded confident about The Branch Group's future.

"I really think that the next generation has all the right stuff in place and the right systems in place and we have the bonding capacity in place, so if the markets are there, there's no reason we can't compete and compete handily," Harrison said.

"The company is owned and run primarily by people who had to pull themselves up by their own bootstraps."