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James Kaloutas said his transition to full-time manager required a complete change of mind-set.

Challenges enable entrepreneur to evolve management style, business model

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The transition from putting down his brush to focusing strictly on the day-to-day management of his painting contractor business was not without its challenges for **James Kaloutas**.

In fact, the president of Peabody-based **Kaloutas Painting** — which provides painting, wallcovering and specialty finishes for what are often highly detailed interior and exterior

commercial projects — says that evolution required a major shift in mind-set.

Kaloutas launched the business in 1987 at age 19 with his father, **John**, an industry veteran. The elder Kaloutas worked in the field, while his son juggled field work and operations. Around 1992, Kaloutas was stunned to discover that the company was spending more than it was making. It sustained a \$60,000 loss, and for Kaloutas, who by that time was no longer out in the field, this was a wake-up call.

“I realized I didn’t know my costs,” said

Growth chart

Name: Kaloutas Painting, incorporated as Kaloutas & Co. Inc.

Business: Commercial painting contractor

Locations: Peabody, Mass.; Providence, R.I.; Bedford, N.H.

Revenue: \$8.1 million

Principal: James Kaloutas, president

KALOUTAS: Painter-to-manager transition provided plenty of lessons

Kaloutas, now 42. “My accountant suggested that it was time to put back on the tool belt. I disagreed, because I thought it was about growing through (this period).”

He promptly hired a bookkeeper, then invested in an expensive accounting software program that enabled him to run monthly financial reports.

In 2002, the company experienced another financial challenge in the form of a six-month stretch of unprofitability. At the time, the company had grown its overhead by adding several employees, while its sales were simultaneously leveling out — which Kaloutas attributed to a combination of the dot-com bubble burst and a flat real estate market.

Upon reflection, Kaloutas said, he wasn’t perhaps communicating his expectations for growing sales clearly enough to his staff. It was slightly unfamiliar territory for the young entrepreneur: Kaloutas, who had dropped out of **Northeastern University** where he briefly studied engineering before launching the painting business, said he had never held a meeting before.

Around that time, though, he became involved with the Boston chapter of the **Entrepreneurs’ Organization** (EO Boston) — and gained some valuable insights from his peers.

“Even though I wasn’t holding a paint brush in 2002, I was still behaving like a technician running a painting company,” Kaloutas said.

He began conducting weekly sales meetings. He compiled monthly profit-and-loss statements for each of his project managers. He invested in better training for his whole staff.

“It was a big shift from me worrying about the sales to everyone being responsible to do something about the

sales,” said Kaloutas. “When I look back to this time, I can see the shift in my leadership style — from being amiable to being authoritative.”

While its infrastructure is strong today, the company has not been immune to the challenges presented by the current economy: With some funding from projects pulled, Kaloutas Painting saw its revenue dip from a peak of \$10.8 million for fiscal 2008 to \$8.1 million in 2009. This year, Kaloutas is projecting around \$8.3 million.

A couple of key factors, though, may help the business ride out the current wave of economic turbulence.

First, it has a firm grasp on the market it serves. When the business started in 1987, it was largely working on residential projects for homeowners in eastern Massachusetts. A couple of years later, the business received its first commercial project for a general contractor — shortly after, Kaloutas determined this needed to be its strategy going forward. Today, the firm works strictly with general contractors, primarily on commercial work.

“They’re very demanding, and we build our systems around their needs,” said Kaloutas. “Also, the barriers to entry for these types of projects are higher.”

Kaloutas said the company currently works with about 40 medium- to large-size GCs. Last year, it worked on an estimated 456 projects, ranging in cost from \$5,000 to \$1.1 million, throughout New England. So far this year, it’s worked on 215 projects.

Andrew Collyer, project manager at **Bovis Lend Lease**, recently engaged Kaloutas Painting’s services on a project for client **Shire HGT** in Lexington, which entailed high-performance coatings, as well as wallcoverings.

“Particularly on projects of this nature that are very specialized, there are high expectations on the quality of the work,” said Collyer. “I found (Kaloutas Painting) very easy to work with, very timely, and their workmanship was of a very high quality.”

Another key to the company’s strategy is that it has expanded its physical operations through the opening of offices in Providence and Bedford, N.H., in 2008 and 2009, respectively.

Those offices, said Kaloutas, have helped the company build stronger relationships with its customers and staff in those communities. They’ve also attributed to the company’s bottom line: The Rhode Island and New Hampshire offices now contribute about \$1.1 million and \$1.5 million, respectively, of the company’s total revenue.

“We discovered we could only grow so far in the Boston market alone,” said Kaloutas. “My philosophy is to continually create opportunities for the people who work so hard for us.”

The company currently employs between 60 and 80 field personnel and 10 office staff.

Kaloutas also continues to work on his own professional growth: He’s engaged outside business consultants over the years. And he continues to serve as a member of EO Boston.

Russ Edelman, president of **Corridor Consulting Inc.** of Burlington and a colleague of Kaloutas’ at EO Boston, said Kaloutas has, in fact, evolved as an entrepreneur in several key ways: “There’s an openness to look at different management philosophies and techniques. He’s looked for ways to improve his business quantitatively and qualitatively. He’s willing to take calculated risks.”