

NEWSMAKERS Q&A

# Middle-market companies showing rapid growth

Sunday October 2, 2011 7:42 AM

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If the conventional wisdom is valid, the once-ubiquitous American middle class is fading into oblivion.



Thomas R. Green, CEO of Lancaster Pollard

A Google search of the phrase *disappearing middle class* yields more than 200,000 hits.

The middle class's counterpart in the business sector, the "middle market," seems to be traveling the same path — in the opposite direction.

For decades, middle-market companies — typically defined as those with annual revenue of \$5 million to \$1 billion — have been all but invisible to the general public.

"Because most middle-market companies are privately held, they do not appear in the indices watched by investors, and they are under-represented in databases and news stor-

ies as well," the CIT Group said last year in a report on the sector.

That's changing.

"The 'middle market' is to the U.S. economy what North America was to Christopher Columbus: a giant, incredibly important, heretofore 'undiscovered' but now unavoidable and centrally important part of the world's landscape," longtime middle-market entrepreneur Dave Maney wrote last week in a guest commentary for CNBC.com.

The middle-market's newfound prominence is attributable largely to the nation's single-minded focus — at least of late — on jobs.

While they're seldom household names, the U.S. companies that meet the aforementioned middle-market revenue criteria have become — in the parlance of the 2012 presidential campaign — *job creators*.

In August, for example, according to the human-resources firm ADP, private-sector employers with fewer than 500 workers added 88,000 positions to their payrolls, while those with more than 500 workers added just 3,000 positions.

That gap is expected to widen: A recent IBM survey of middle-market chief financial officers found that 65 percent have expanded their payrolls this year and that 80 percent intend to do so in the next 12 months. The latter figure is up 24 points from last year's third quarter.

Thomas R. Green, CEO of Lancaster Pollard, a Columbus-based investment and banking firm, discussed the middle market's emergence as an economic driver with Jeremy Naylor, producer of ONN-TV's *Ohio Means Business*.

Lancaster Pollard, a 23-year-old business that specializes in financing health-care, senior-living and affordable-housing projects, was identified by *Inc.* magazine as one of the nation's fastest-growing privately held companies. Annual revenue grew from \$23.8 million in 2007 to \$48.2 million last year — a jump of 102 percent.

Q: What are the advantages — and disadvantages — of being a middle-market company?

A: The disadvantages, I guess, might be that you maybe don't enjoy the name recognition, marketing power and capital (of a Fortune 500 company). ...

The advantages, I think, are that you're much more nimble. You can change direction or make adjustments to the trajectory of your organization, based upon opportunities you've identified in the market. It doesn't take a committee of 20 to make that decision. You can literally make it in a day.

And I think (a middle-market company) is easier to control. You have, really, one culture. As organizations grow and become quite large, it becomes very difficult for the CEO or management team to really maintain a sort of homogenous culture — and you end up with lots of offices and lots of departments and lots of managers. ...

For some of our larger competitors, it's more difficult for them to change direction and to be timely in seizing opportunities. As we grow, that will be increasingly difficult for us as well. So far, though, I think we're doing a reasonably good job in that regard.

Q: Is the current economic environment helping or hurting your business?

A: The current economic environment is definitely hurting business. I think that's universally the case. In our case, (there's) one exception: The deterioration of the U.S. economy — and, really, the world economy — has driven interest rates down. And that has helped a lot of people refinance not only their homes but, in our case, their organizations.

And so we've been the beneficiary of some refinance opportunities that may or may not have been available to us a few years ago, when rates were a little bit higher.

Q: What's the outlook for Lancaster Pollard?

A: Our outlook is great. ... We have enjoyed the development of a pipeline that is very robust, and so our vision of the next few years is very positive.

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