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SMALL BIZ: Business heats up for new Godby Firm re-emerges after selling to a national competitor in the late 1990s

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When big publicly held companies snapped up local heating, cooling and plumbing companies in the late 1990s, Tom Godby thought he needed to get on board.

"I didn't want to miss that tidal wave of change," he said.

Godby was the sole owner of Godby Brothers Heating and Air Conditioning LLC, which had been in the Indianapolis market for three decades when Godby sold it to American Residential Services in 1997.

But instead of being the industry's new face, the national conglomerates struggled to integrate the businesses they bought and service suffered. All three that entered the Indianapolis market went private after stock prices faltered.

That industry churn left a void with both customers and suppliers looking for a local firm they knew and trusted. And that worked out well for Godby.

After the 1997 sale, Godby, 63, tried retirement, but he didn't like it. So in October 2004—well after his three-year non-compete agreement expired—he lined up partners and got back into the heating and cooling business. "I kept hearing stories about needs and wants from customers," Godby recalled. "I said, 'Maybe there's a tremendous opportunity here.'"

He and three co-owners resurrected the company, calling it Godby Heating and Air Conditioning LLC, with some rented warehouse space, no tools, no inventory of systems to install and no trucks. They quickly ramped up, buying 28 trucks in the first year.

From there it has grown to an expected \$17 million in sales this year and more than 100 employees. That's easily twice the size of the company Godby sold.

Even as the owners were hanging out the new company's shingle, former employees starting pulling up in their technician trucks, asking if Godby was hiring.

"Indianapolis is a pretty small town and it didn't take long for word to get out," Godby said. The company grew to \$5.8 million in revenue by 2005 and more than doubled that by 2007.

"We were dead-on about the pent-up demand in the market," said company President Craig Todd, who also is a co-owner.

Godby Heating and Air Conditioning LLC

Address: 57 Gasoline Alley, Suite D, Indianapolis

Founded: 2004

Employees: 100

Owners: Tom Godby, chairman; Craig Todd, president; Larry Pennycuff, operations manager; Tony Young, vice president of marketing

Projected 2008 revenue: \$17 million

Web site: www.gottabegodby.com

Source: Godby Heating and Air Conditioning

Customers, from individual homeowners to home builders, asked Godby about getting into other service lines. In June 2005, the company hired one plumber. In January 2006, it added an electrician. Now, with 12 electricians and 18 plumbers on staff, those sidelines contribute more than \$5 million of the company's revenue.

These days, the company is only a parttime gig for Godby, who also owns stakes in several other companies, including Godby Group, a development and construction firm, and Godby Redevelopment Co., which focuses on charter schools and student housing. He leaves day-to-day management of the core business to others.

The other local home-services companies that were snapped up in the industry consolidation still operate as divisions of the national giants, making Godby's reentry stand out here.

But it's fairly common for entrepreneurs to sell a business and then reconsider, experts said.

"They are successful in building up a company and often they can't find something to do that's as satisfying as that," said Andrew McNeil, a partner at locally based Bose McKinney & Evans LLP law firm who specializes in labor and employment. "You can't keep that entrepreneurial spirit tied down playing golf."

Often it's that threat that makes buyers include non-compete clauses in purchase contracts; Godby, for example, agreed to stay out of the heating and cooling business for three years.

If a person's name recognition survives that gap, re-entry is possible, but experts said companies have to be prepared to tackle any questions the original sale left in customers' minds.

"You build up a relationship with the customer that you've basically given to somebody else," said Michael Goldsby, an entrepreneurship professor at Ball State University. "People may wonder what the long-term sustainability of the new company may be."



IBJ Photo/Robin Arntstad

Tom Godby and Craig Todd are two of the four owners behind Godby Heating and Air Conditioning LLC.

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If there's a clear plan to let consumers know the new business' ownership structure and that it will survive the retirement of any one owner, those risks can be mitigated.

Although Godby doesn't keep regular hours at the heating and cooling business, he thinks customers see him enough to know the company has his attention as well as his name. He said his team hires good people then "gets out of the way."

"I think I have re-defined retirement by doing what I want to do when I want to do it," Godby said.

By returning to an area of expertise, the entrepreneur also can capitalize on spinoff businesses because he knows niche areas of demand, McNeil said.

Indeed, that's what is driving Godby's next moves. The company has launched window-replacement, roofing and siding divisions in the hopes of becoming the energy-efficiency contractor of choice for homeowners.

Now when workers install a high-efficiency furnace, for example, the company recommends other measures to keep heating bills low. It's a growing part of the market as consumers look to shave monthly budget costs and go green.

Take Mike Alerding, managing director of local accounting firm Alerding Co. LLC. In 2004, Godby installed new furnaces and air conditioning units in Alerding's Indianapolis home, lowering his heating bill by 40 percent and his electric bill 20 percent. Alerding saw even more savings when Godby replaced his windows in 2007.

"It's the best money I've ever spent," he said.

Godby also wants to get into the commercial building market, offering replacement heating and cooling systems for office and warehouse space. With the new divisions, Godby hopes to keep on growing and to hit \$30 million in revenue in five years. •

"You can't keep that entrepreneurial spirit tied down playing golf."

Andrew McNeil, labor and employment attorney



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