

Graduated Firm: From SBE to Powerhouse Prime

Featured Expert: Luis Garcia, President of LEGO Construction

Graduating from a Small Business Enterprise (SBE) program is a milestone every growing contractor dreams about. But when you cross that revenue threshold, reality hits fast. The certified status safety net disappears, and suddenly you're in the deep end, going head-to-head against deep-pocketed national firms for open-market work.

Luis Garcia knows that shift inside and out.

When he launched LEGO Construction 20 years ago, he didn't have a corporate bankroll or established bonding lines. To secure his very first project bonds, he had to take his personal savings and turn them into cashier's checks. Fast-forward two decades: LEGO Construction recently landed a **\$126 million bond for a single project**.

So how do you scale a firm from scratch to that level of muscle? Garcia sat down with us to break down the unvarnished playbook for surviving—and winning—in the open market.

1. Clean Financials Beat Quick Profits Every Time

If you want to bid on bigger jobs, you need bigger bonding capacity. And bonding companies don't care about how good your marketing pitch is; they care about your balance sheet. The biggest mistake Garcia sees growing contractors make is taking too much money out of the business early on.

"If you don't take all the money out of the company and you keep those good financials, it's going to continue growing on your balance sheet over time. At one point, it becomes not only financial, but about trust." — Luis Garcia

Put Cash Back Into the Business

To grow your bonding limit, leave profits in the company. Retained earnings build a heavy balance sheet, which naturally opens up larger credit lines and reassures underwriters that you can handle a bad quarter.

Stay Out of the Courtroom

Garcia doesn't mince words on this point: **avoid litigation at all costs**. Lawsuits drain your cash, poison your reputation, and make bonding underwriters nervous. Whether a job makes money or loses money, your top job is to deliver what you promised, resolve issues directly with the owner, and stay away from lawyers.

Invite the Underwriters to Your Office

Don't hide behind your local insurance broker. Twice a year, Garcia invites his regional bonding underwriters—the people sitting in Atlanta or Mississippi who actually sign off on the risk—out to lunch at his office.

He introduces them to his project managers, walks them through the operational culture, and talks through upcoming bids. When a massive opportunity pops up later, the decision-maker already knows who is running the job.

2. Get Comfortable with Rejection (And Ask for the Debrief)

When you start bidding on unrestricted jobs, you are going to lose—frequently. Garcia admits that watching your estimating team pour weeks into proposals only to get rejected five or six times in a row is brutal for morale.

The difference between firms that break through and firms that retreat back to small jobs comes down to two practices:

- **Always ask for a debrief:** Don't just walk away when you lose. Ask the owner for a formal debriefing and request public bid records. You aren't doing it to complain; you are doing it to figure out where your pricing, team structure, or presentation fell short so you can fix it next time.
- **Protect your risk on delivery methods:** Garcia sticks heavily to Construction Management at Risk (CM-at-Risk) and hard bids. He warns smaller firms to be extremely cautious with Design-Build projects during inflationary periods unless it's limited to a simple, single trade like roofing.

3. Treat Your Subcontractors Like Partners, Not Commodity Labor

Because LEGO Construction doesn't self-perform everything, the company's reputation rests entirely on the quality of its trade partners.

Garcia expects a lot from his subs: they have to honor their word, do quality work, stay out of legal fights, and pay their vendors on time. But he knows respect goes both ways.

- **Fast-track payments:** Small subs live and die by cash flow. If you want them to perform on your site, expedite their checks.
- **Maintain an open-door policy:** If a sub runs into a problem on site, they shouldn't be afraid to pick up the phone and call the president.
- **Mentor the next generation:** LEGO Construction regularly brings in smaller SBE subcontractors and opens up the playbook—sharing accounting recommendations, software choices, CPA contacts, and bonding advice.

4. Don't Put All Your Eggs in One Market Sector

A classic trap for graduating SBEs is getting 100% reliant on one type of client—like K-12 school districts. If a local school bond initiative ends or city budgets freeze, your entire backlog disappears.

Garcia keeps LEGO Construction balanced across four distinct sectors:

- *K-12 & Higher Education*
- *Federal & County Projects*
- *Aviation & Airports*
- *Healthcare & Medical Facilities*

When airport construction slows down, hospital work picks up the slack. That cross-industry balance keeps staff employed and revenue steady regardless of broader economic shifts.

5. Invest in a Culture That Keeps the Right People

When you start taking on \$100M+ projects, you can't be on every jobsite managing every detail yourself. You have to rely on your team. Garcia credits his firm's growth to building a core group of employees who treat the company's reputation like their own.

"Surround your organization with dedicated professionals who are committed to your mission and share your company's culture. Our employees have been fundamental to the growth and success of our organization. Their dedication, teamwork, and commitment have played an incredibly important role in helping us achieve what we have today." — Luis Garcia

The Real Timeline: Play the Long Game

In an era where everyone expects overnight success, Garcia offers a grounding dose of perspective: **scaling a construction firm takes decades.**

"Growth will come, but in construction, you need patience. In my opinion, this is a long-term commitment. You can't expect it in two or three years—real growth starts showing after 12 to 20 years of daily work." — Luis Garcia

If you keep your balance sheet clean, stay out of litigation, treat your subs fairly, and show up every single day ready to compete, the scale will follow.

The Scaling Checklist for Growing Contractors

- [] **Leave profits in the bank:** Build up your retained earnings to grow bonding lines.
- [] **Stay out of court:** Resolve project disputes early and protect your cash flow and reputation.
- [] **Build direct underwriter relationships:** Invite underwriters to your office to see your operation firsthand.
- [] **Request bid debriefs:** Turn lost bids into tactical presentation improvements.
- [] **Pay your subs fast:** Clear operational hurdles for your trade partners and mentor smaller SBEs.
- [] **Diversify your sectors:** Balance work across municipal, federal, healthcare, and educational clients.
- [] **Be patient:** Treat business growth as a 20-year endurance test, not a sprint.
- [] **Build a mission-driven team:** Surround your firm with dedicated professionals who align with your culture.