No Thought to Quitting

Lou Skinner Started His Business Three Decades Ago And He Has No Intention of Calling It a Career

H e talks about perhaps retiring—but no one takes him too seriously. Lou's enjoying himself too much, they say.


Born in Auburn, N.Y., Lou went into the construction industry as soon as he graduated from St. Lawrence University in 1933. His first real job was as a salesman for United States Gypsum Company and that continued until World War II.

Following personnel work with the Army and Air Force in the European theatre, Lou took his discharge and went back to work with USG in the Boston area. Within a short time, drywall began appearing as a viable construction material and Lou saw a breakthrough opportunity. He set up a union contracting firm and went into the bidding wars . . . the first union contractor in the Boston area.

Later a friendship with Wayne Vaughan led to a Vaughan wall franchise.

For Wallboard Construction, it was uphill from the start—and the addition of Vaughan simply added to the acceleration. The company is structured so that sales could jump easily, but Lou prefers the current volume and profit level of his company.

In the last few years, he had initiated and implemented a succession program as key personnel have moved more and more into the active operation of the business. This includes his son, Louis, who is in the purchasing department.

Headquarters for Wallboard Construction is an attractive 8,500 square foot combination office-warehouse complex located in an industrial park. The one-story masonry and steel deck building features the Vaughan interior system, of course.

DIMENSIONS: From the 40s to the present is quite a span. What’s the biggest difference in the ways things are now done, Lou?

SKINNER: Well, I’ve always done my own selling. There was a time when you did business with a handshake. I once did a $2.5-million job on three unit prices with a handshake. That day is gone, I believe—

DIMENSIONS: —because of a lack of trust or dishonesty? Is that the reason?

SKINNER: No, it’s not so much that. Today, we’re often dealing with brokers who don’t do any of their own
work. Their personnel is constantly changing. Once upon a past time, I knew everyone in a general contractor’s office because I did my own selling.

Now we often don’t even know the person we’re talking to and everything is strictly low bid. Over the years, we’ve established an enviable record for quality work, one that customers recognize and were willing to pay extra for. That’s not so true anymore.

**DIMENSIONS:** As a union contractor, you should be particularly hard pressed—if it’s true that non-union competitors are coming in with better numbers?

**SKINNER:** We’re still union but, yes, the labor and material cost situation is critical. Union leadership is trying to make the adjustments to become more competitive—but these adjustments take time and I’m not all that certain that the adjustments are responsive enough.

Look at it this way. It’s roughly $31 an hour to bid union work. Reduce that figure to minutes and you have 50¢—which means that an unscheduled cigarette break can cost a contractor $10 . . . not counting the tab for late show-up, stretching the rest break, or quitting early.

**DIMENSIONS:** In view of these conditions, what is your company doing now . . . what strategy is it following . . . to remain competitive and profitable?

**SKINNER:** Right now we were taking a decided approach to more interior general contracting. That’s just on interiors now, but we feel we have an integrated package that we can offer so we’re taking the whole job direct. And with good success, too.

At one time the pricing on Vaughan interiors was within $1 per linear foot of standard drywalls. Today the spread is higher and we are experiencing much greater difficulty in obtaining work with the higher price on the Vaughan system—except, of course, with those buyers who know and recognize the quality difference.

Once we were almost exclusively Vaughan installers for high rise buildings in this area. New buildings, though, must compete on rental prices and their owners won’t pay the difference. Get it in quick, cheap, and at the lowest bid is the policy.

**DIMENSIONS:** That’s new construction. The renovation market must be different as owners of older buildings try to make them competitive with the new offerings coming on the market. Are you having better luck with retrofit?

**SKINNER:** The nice thing about Vaughan is that once you do the
original installation you pretty much have a lock on all changes and renovations. Now we may not get all of it—but we get the majority of retrofit jobs because only we can make an appropriate change to our own, exclusive system.

You might not get rich on this kind of work, but it certainly helps to keep the men working.

**DIMENSIONS:** If you go after a general contract on the interior, how do you approach it . . . bidding or negotiating?

**SKINNER:** We bid the whole thing including, where necessary, the electrical and mechanical. We sub out these latter items.

The idea right now is to go after the small general contracting interior job, bidding a floor or a floor and one-half at a time. That way we can control the work and keep our costs as current as possible.

**DIMENSIONS:** With the greater price spread between standard drywall and Vaughan systems, union vs. non-union, how do you remain competitive? Some contractors have simply gone non-union or double-breasted in order to stay alive.

**SKINNER:** I admit it’s been very hard getting work. And I admit that we go after the tough, complex, quality job. Our estimators are working extra hard and our closing percentage is way down. For example, we recently bid two jobs at net labor and net material—and lost both of them by at least 10%.

**DIMENSIONS:** What’s your answer? You obviously can’t go on with the way things are—and things do look rather comfortable here?

**SKINNER:** Maybe we’re figuring wrong, but I doubt that. If we push the general interiors, we can not only respond to competition but grow. Furthermore, we’re responding to what the market wants. We have a long standing relationship with many architects, engineers, designers, owners, developers—and they’re all asking us to go this route.

They like the idea of having the entire interior under the responsibility of a single contractor. And if we keep doing well what we’ve been doing well, we’ll survive.

**DIMENSIONS:** It makes for collecting your money a lot easier too.
What’s been your approach to collections? Have they been difficult?

SKINNER: They haven’t been difficult but they have been slow. Lately, they’ve been coming in much better . . . particularly as the economy around here improves. Like most other contractors, we’ve had a few interesting money moments around here the past year or so.

DIMENSIONS: How do you see the cash flow and your own financial standing? Do you utilize a line of credit or do you do most of your own financing?

SKINNER: It’s best if you can do your own financing and that’s the approach we take. But I don’t think it’s prudent for any contractor not to keep up a line of credit with his banker.

You never know when you’re going to need it.

DIMENSIONS: But won’t going after the whole interior job require more of a money outlay to finance your work?

SKINNER: Yes, but it’s nothing we can’t handle.

DIMENSIONS: You’re own company is changing rapidly. What other changes do you see coming up in the next decade or so?

SKINNER: Business in the Boston area remained reasonably good during this recent recession and even the one before that. It’s a high-tech area and that kept the economy going despite the drop-off in other sectors.

Computers and the electronic thing is still in the infancy stage and it’ll continue to boom—with a bust here and there—for the next 10 years and maybe, even, beyond. The same thing holds true for California’s San Jose area.

You can see the results in downtown Boston. The city is revitalizing itself. Nine new hotels have just gone in, new government buildings, new office buildings, a new convention center.

Look around Boston and you’ll see cranes everywhere. I don’t look for
any serious setback around here for the next 10 years—although the infighting among contractors may get a bit more intense.

DIMENSIONS: Plus the method of doing work. That’s got to change, too, doesn’t it?

SKINNER: Yes. But the shift to broker types has been going on the past 10 years and perhaps it’ll slow down a bit. I think you’ve seen the last of the traditional general contractors. It’s a Construction Manager method now.

Then in space planning, it’s getting down to a science. A new job title is more and more showing up—Facilities Manager. They’re taking a whole new look at office and facilities management—which is why we’re taking the approach that we are.

DIMENSIONS: And where will Lou Skinner be in all this?

SKINNER: Well, sometimes I think of retiring and letting this whole thing go to the people who will own and run the business, but I like coming in here and keeping in the flow of things.

You’ll be seeing more and more open shop. That’s the trend right now and it’s flowing their way. But trends are trends and, eventually, it will shift back.

Who knows, maybe one of these days I’ll get really serious about retiring and do something about it. I’ve turned over future ownership of the company to my key employees and they know what to do.

Still, though, this is a good vantage point—and I’m enjoying myself. I think I’ll stay around a little bit longer anyway.