Against the Grain Can Pay

Washington DC’s Art Meushaw Sees Construction Management in a Professional Framework—and His Profit Lines Validates the Approach

You don’t need to be a mechanic to become a successful contractor—and it doesn’t necessarily help either. It’s that kind of “against the grain” type of thinking that’s made Arthur Meushaw a respected and profitable contractor—and a leader throughout the subcontracting industry.

His company (the one that umbrellas the others), Standard Acoustics, Inc., 3005 Earl Place, NE, Washington, DC, with a volume that has ranged up to $20 million annually in acoustics, demountables, doors and hardware, drywall, flooring, insulation, and integrated ceilings.

In industry affairs, Art has long played a prominent role. Last year, he served as national president of the American Subcontractors Association, capping years of service to ASA and to AWCI.

A native of Washington, DC, Art now lives in Alexandria, VA, with his wife, the former Doris Blackwell, of Washington, DC. They are the parents of three children, Lynn, Carey and Arthur III. The two sons operate Meushaw Development Company, in Alexandria.

Son of a career federal government employee, Art took his law degree at American University and served as a lieutenant on a U.S. Navy destroyer from 1942-1946. His wife was in the first class of SPARS to graduate from the U.S. Coast Guard Academy, and also served during World War II.

Following his discharge, Art went the large corporation route until 1950 when he was offered an equity position with Standard Floors Company as an extra perk for managing the company. Five years later he formed Standard Acoustics and it’s been a fast ride since.

His company has been located at its present site for the past 20 years. Headquarters consists of a two-story block building of 10,000 square feet. An adjacent property of the same size is rented, and Art moves into that property as he develops new companies.

Today, Meushaw’s company is a member of ASA, AWCI, CISCA, and is active in the American Arbitration Association. It is a major contractor in a large metropolitan marketing area. Yet Art Meushaw is still on the lookout for top talent—the same penchant that made the former University of Maryland backstroke swimmer such a fine high school swimming coach.

DIMENSIONS: You mentioned, Art, that you defined yourself as a “white collar” contractor from the start. Just what did you mean by that?

MEUSHAW: I meant that I was a lawyer suddenly thrust into the contracting business. I inherited the idea to approach construction work on a white collar basis because, frankly, that’s the only way I knew to approach it.

DIMENSIONS: —and you weren’t intimidated by the thought of running a contracting business?

MEUSHAW: Oh, no, I wasn’t intimidated at all. Fact is, I felt I could do it as well or better. I was fitted for that kind of work because I had been quite successful in the Navy where I
“More than ever, a contractor must stay alive and to do that he must become business oriented . . . recognize the necessity and vitality of good management and where we subs fit into a dynamic industry environment.”

was in charge of construction and repair on a destroyer—and, most important, I enjoyed it.

Most people in construction management back then were ex-mechanics . . . up from the bottom types. The company I took over was in flooring—and I knew I could do better than just sell resilient flooring. I wanted to expand. That’s where the profits were in our area.

**DIMENSIONS:** So what did you do? Move immediately into acoustics?

**MEUSHAW:** We diversified into acoustics by 1955. It was a natural move. At that time buildings had plastered ceilings. The technology in floors was to glue down, and the only way to get those ceiling tiles onto plastered ceilings was to glue up.

We had the techniques so it was a natural. Of course, acoustics required more money and equipment: scaffolding, for example. But the acoustics part of our work quickly moved ahead of floors, and suddenly we found ourselves doing more than $1 million a year—

**DIMENSIONS:** —and then?

**MEUSHAW:** Later in the 50s, we moved into drywall. Keep in mind that later in the 60s we had the management team already in place as a result of our drywall and metal partition experience. We had to make money on that move.

In construction, there’s seldom been a problem in securing jobs in our area. We’ve never lacked jobs to estimate. The trick is in making money on the jobs you do. You either manage well—or you don’t. It’s really that simple.

That’s why I approach contracting on a “white collar” basis. I want a good sharp, business graduate to head up my companies and divisions. They learn fast and approach problems in a professional way.

**DIMENSIONS:** Aside from the obvious individual profit potential, does diversification allow you the chance to package your bids? And isn’t that the way the industry is going?

**MEUSHAW:** Absolutely. As the trend continues toward construction managers and brokers, the need for sub or specialty contractors to bid a package increases. When you can perform more of the job, you become a
much more attractive subcontractor.

DIMENSIONS: And then there’s the on-going problem of breaking out your prices. Where do you stand on that issue?

MEUSHAW: I think any contractor who claims he won’t break out a package price isn’t being entirely candid. I package and I break out. A job is often negotiated—and there’s no reason why you can’t break out.

DIMENSIONS: But many contractors contend that you may end up with the work that was underpriced while someone else goes off with the profit maker?

MEUSHAW: Why is the work underpriced in the first place? The objective is to make money not find jobs. If the package is ripped apart, then it’s the contractor’s obligation to see that his overhead is recovered and a profit allowance made.

DIMENSIONS: Your original business was flooring, vinyl asbestos tile. What changes or trends have occurred in flooring?

MEUSHAW: We’ve always been strong in seamless flooring, resilient flooring and parquet floors. Then vinyl asbestos tile floors dipped quickly throughout the entire country so we moved into carpeting.

Today, carpeting is still king and they’re installing it in places where they wouldn’t even have thought about it a few years ago. We just finished a drug store—only 100 feet from the sandy beach—in Ocean City, MD, with wall to wall carpeting. I would not recommend it here. The trick with carpeting, though, is to sell selectively, using great care on what jobs to figure.

DIMENSIONS: By selective, do you mean the higher cost materials?

MEUSHAW: Usually, you’re dealing with a higher cost material. But service is vital, too. After all, there are a lot of people selling carpeting. If you can demonstrate good workmanship, good service, and follow through you’re on the way.

We recently finished our largest contract—a $5 million job with carpet a major factor in closing the contract.

DIMENSIONS: Let’s move back to your “white collar” philosophy. Do you see professionalism becoming an issue in the construction business... that is, are subcontractors starting to view themselves as businessmen rather than installers—
MEUSHAW: Let me interrupt you there. I believe I see where you’re going and the point I make when I say “white collar” is to be a professional manager. That can come from an ex-mechanic, of course, but lack of business acumen by we subs has always been a major problem. That’s where trade associations like AWCI fit in: continually helping you with business education.

Pricing and competition in our industry has been in a turmoil for years. The industry is changing but management hasn’t changed . . . hasn’t responded . . . properly to it. Why are failures in construction second only to restaurants? Anybody can fry a hamburger and anybody can hammer in a nail. That doesn’t make them businessmen, does it?

DIMENSIONS: —and you believe that a more businesslike approach is the answer?

MEUSHAW: It isn’t the answer, but it certainly provides a better potential for success. More than ever, a contractor must stay alive and to do that he must become business oriented . . . recognize the necessity and vitality of good management and where we subs fit into a dynamic industry environment.

Contracting by the seat of your pants is just about over . . . the past is history and the future is uncertain. Change is occurring so fast that there remains little time to react. The era of the information society is right on top of us. It isn’t coming anymore: it’s here now. It’s an economic reality rather than some interesting, vague intellectual abstraction.

In these changing times, a contractor has to know and respond to what’s going on around him.

DIMENSIONS: Productivity is the big challenge currently. Plus, contractors are also changing their way of going after markets. How have these trends influenced your thinking?

MEUSHAW: Your reference to productivity emphasizes the point I’m making. Subcontractors need to know and consider the efforts by The Business Roundtable and their Construction Industry Cost Effectiveness study. This tells the whole story and details where the pitfalls are and the necessity to correct them.

Productivity is essentially a management phenomenon . . . that’s why different contractors have different labor units for estimating purposes. These
units reflect their management skills—or lack of skills.

As for the changing of contractor interests, that’s a continuing thing. A few years ago, my company and a limited few of acoustical contractors used to go head-to-head on the big jobs in this marketing area. We were the only major subs consistently bidding the big jobs.

Now these few have transitioned into systems interior contractors—floors, ceilings, partitions—and there are also many additional large, talented, forceful contractors going after available work. This points to a tight marketplace that only the business oriented type contractor will survive.

From a success point of view, I think a subcontractor must be alert to everything that’s going on and then reconceptualize his approach to business every so often.

DIMENSIONS: Is systems the future? Does a contractor really need to come in with a wide array of services? Or can a contractor still be successful providing one service—and providing it well?

MEUSHAW: If it works, don’t fix it. There are many successful one-service contractors. My whole point is: think your business through and if you believe you’re doing it wrong, you need to change.

More and more systems type subs are showing up on jobs: that’s a fact. But the 80s are a time of uncertainty and doing it the same way can be suddenly wrong when the game changes. I promise you it is changing!

My favorite phrase is “precision tune.” Construction cries out for the need for professional management—and a contractor does this when he “precision tunes” his business.

DIMENSIONS: Do you mean, set it up to show bottom line performance? The ultimate criterion is profit?

MEUSHAW: Certainly, I mean that. Construction is nothing more than a money business. We are daily figuring and performing jobs in money terms. Money is our constant challenge.

This construction business doesn’t lend itself to nationalization. There are far too many parts, but the subs are getting bigger—along with the trend of general contractors to become brokers or construction managers—on a national basis.

Subcontractors travel a lot these days. It’s part of the territory, and this trend is growing, too.

DIMENSIONS: Are a number of contractors are also opening up branch offices, and may I suggest that the results are not exactly unanimously good?

MEUSHAW: Truth is, I don’t know of any subcontractors who have been all that successful with branches: the ones I do know about have all struggled.

To me, branches don’t work and I don’t want any. The profit percentage on major work is so minimal that I don’t want to have to struggle with the extra overhead and management complexities that a branch involves.

In this business, it is rare to make big profits on any single job. So you are constantly bidding. Look at profits on drywall jobs throughout the country in the last two years. Who in their right mind would suggest that the profit level is satisfactory?

DIMENSIONS: Turning to another subject, Art, as president of the American Subcontractors Association you must have been disappointed when the years of work on a subcontractor contract agreement went down the tubes?

MEUSHAW: Yes, I was disap-
pointed because I felt the ASA working with the Associated General Contractors and the Associated Specialty Contractors had truly produced an agreement that would work for everyone.

DIMENSIONS: What happened? Why did the AGC drag its feet?

MEUSHAW: The payment clause killed it. The AGC wanted an agreement whereby they weren’t obligated to pay until they’d received payment. The basis of contracting law is defeated with this “exception.”

Like I just said: we’re in a money business.

DIMENSIONS: What’s your advice for a sub now on signing a contract?

MEUSHAW: The same as before. Study and understand before you sign anything. A sub just shouldn’t sign some contracts, but he does it because he wants the work. Similar to insurance, you don’t need a contract until you need it.

We proved the retention argument was good for all construction. That’s why the federal government did something about it. In addition, we are proving in many states that prompt payment legislation is worthwhile.

I believe that eventually we’ll be able to demonstrate that a reasonable payment cause—not one hinged on the general contractor’s payment problems—is reasonable, too, i.e., do you purchase a Ford or Chevy and hold 10% to be sure it works? Of course not!

DIMENSIONS: How about the future? You’ve mentioned a few elements, but what do you see you and your company encountering in the next decade?

MEUSHAW: Uncertainty. That’s for certain.

To get the most out of this subcontracting business, you first must understand it. Sometimes I think my competitors are more interested in building a structure.

But everything changes. The corner grocer becomes a Safeway. Union versus non-union—the double breasted thing—is change. Diversifying your business is changing yourself to accommodate change. Money, interest, and cash flow are all unknowns in the changing money game.

It’s all uncertain. It’s all change—and challenge.

That’s what makes it all so great. I love it!