The Lather Who Came Prepared

It Took a Long Wait and a Succession of Jobs, But California’s Ted Killian Has Parlayed His Background into one of the State’s Fastest Growing Wall and Ceiling Companies

It took awhile, through a succession of jobs, but by the time Ted O’Neil Killian opened up his own wall and ceiling construction company in 1984 he was ready...and the results are already evident.

As head of Killian Construction, Inc., of 2941 Daylight Way, San Jose, CA, Killian in only two years has steered his company into the million-dollar-a-year category and is still growing. From an industry standpoint, he is the outgoing president of the Northern California Drywall Contractors Association.

That’s quite a way for someone who admittedly spent most of his formative years behind a plow. Born in Tupelo, OK, son of Evelyn Gown Killian, of Modesto, CA, and the late Sid Killian, Ted came to the Southern California area as a child. Following U.S. Army service in England from 1956-59, he worked for a Gallo Winery subsidiary before a friend, Art Owen, helped him join the lathers’ union.

The next 15 years saw him climb from lather to vice president with the Rollie French Construction Company. In 1978, Ted became part owner of the drywall subsidiary of A & B Painting, but six years later opened Killian Construction. It’s been a fast ride ever since and his industrial-commercial company which offers lath and plaster, drywall, fireproofing and Dryvit is looking at a $4 million volume this year.

Married to Marlene Zaiden Killian, Ted is the father of six children and grandfather to two. Besides his Northern Drywall drywall connection, he is also a member of the California Drywall Contractors Association and the Association of Wall and Ceiling Industries-International.

For an area like California’s famed Silicon Valley, the construction future shines just as bright—with a few changes here and there—as it ever has. And Ted Killian appears ready to take advantage of these changes.

DIMENSIONS: You were discussing changes in the market here, Ted. Is this the result of some of this shine going off computers—or are you getting ready for another boom?

KILLIAN: I don’t know if you could call what we’ve had a boom, and I’m not certain the future holds a boom. All I know is that we have a push on the type of construction that’s coming in here.

DIMENSIONS: And what is that type?

KILLIAN: We’re seeing more high-rise office buildings and shopping centers. For the time being the tilt-up one-story office type—the kind that is identified with the computer industry—seems somewhat in over-abundance. There’s about 14 million square feet that is unleased so it’ll take some time to absorb that kind of situation.

DIMENSIONS: You’re one of the few companies that offers both drywall and lath and plaster. Where is your
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company’s specialty — interiors or exteriors?

KILLIAN: We do about half of each and that’s the way I like it. If a job is going lath and plaster we’re in a pretty good position to take it. The drywall we get is extremely competitive, but drywall always has been lean and mean in the Valley—

DIMENSIONS: —which means low prices?

KILLIAN: I’ve never agreed with the drywall pricing around this part of the country, but some of the prices make you shake your head. Still, I’m getting my share.

DIMENSIONS: How valuable are oldtime customers, those general contractors who know you and your work?

KILLIAN: Oh, we have a few customers, but the number of GCs has fallen off. It’s still a tough hard dollar bid market on every job.

DIMENSIONS: A healthy construction market draws interest. How extensive are outside contractors coming in for the local work?

KILLIAN: There are a number of them, and if the project is big enough you’ll get a lot of outside interest. It’s always been that way.

DIMENSIONS: How do you handle the big job where the management seems absent, or at least lacking? That seems to be one of the biggest problems today for subcontractors, doesn’t it?

KILLIAN: Yes, general contractors get spread out thin, too, and some of their management people aren’t always the best. You fight it out the best you can, and that’s where good relations with the other subs is important.

The trend now, not even considering the broker influence, is to push, or accelerate, the schedule as fast as possible, even beyond what can be done.

DIMENSIONS: So what should a contractor see from all this?

KILLIAN: It’s no secret that speed up is part of the construction landscape now. Nearly every job I see is 60-80% complete as far as the bid documents are concerned.

They just don’t seem to realize that incomplete documentation keeps a contractor from making a good, accurate estimate. It’s really ridiculous to go into a multi-million dollar building and spend so little time on the documents.

As a result, you get greater schedule problems on such elements as change orders, projections, revisions, adds and deducts. You get enough of these kind of corrections in projects anyway, but why make them even more difficult?

DIMENSIONS: And the result to the owner? What does he get out of this?

KILLIAN: Owners don’t get accurate costs overall. The building cost goes higher—and all because of inadequate documents.

DIMENSIONS: How do you really handle changes in that kind of environment? Many contractors say they won’t proceed without written authorization.
KILLIAN: You proceed verbally. You don’t have much choice, unfair as it is. All subs know that contracts demand written authorization and that a sub shouldn’t proceed with a contract change without a corresponding change in the contract.

But a number of GCs will tell you, “proceed, based on your quote for that work.” You can work three months before you receive the amount and this is ridiculous. You can’t get paid until it’s approved, yet you’ve finished the work and then must wait 60-90 days for the money.

DIMENSIONS: But many subcontractors insist that to do what you are saying is a ticket to Chapter 11 . . . that a sub should never go ahead without written authorization.

KILLIAN: I think every contractor has the right to refuse to go ahead. I don’t know how many can get away with that kind of common sense policy. Remember, the paper and approval system just isn’t geared to respond within a reasonable time frame.

DIMENSIONS: So we have a true Catch 22 dilemma?

KILLIAN: That’s right. Compound that slow up in pay with retentions and the finances of the subcontractor is squeezed from both sides.

DIMENSIONS: Particularly when a 10% retention on a $3 million job represents your profit, right?

KILLIAN: Retention should be a negotiable item, but for the most part it isn’t. Depending on the other trades, you can easily wait 6-9 months before you get your money.

On small jobs, I don’t get stubborn on retentions. But when the amount runs over $1 million I get it stipulated in the contract that 5% is maximum on the first half of the job and none thereafter. It’s often hard to get, but if you don’t try you’ll never get it. It’s ludicrous for a sub to sit on 10% retention at $2 million with no interest.

With that much of your accounts receivables tied up you must go to the bank and borrow . . . and you know what that does to your cash flow.

I don’t know if there is an answer to this issue, but I do know that the burden is too heavy — and becomes heavier as interest rates climb. But until all subs agree that “no bid unless you reduce retentions” you’ll have no movement and subs use retention as a competitive weapon.

DIMENSIONS: So retainages help reduce competition?

KILLIAN: Oh, sure. It helps keep the cash-low or cash-strapped sub from bidding the job. The sad part is
“A good mechanic doesn’t wear a union or non-union label: he just goes ahead and does a good job. That’s what is needed: a change in attitude by unions and by management. It can be done. It’s called being responsible.”

that we pay to reduce our own competition—and it’s largely ineffective anyway. You still get shaky subs on a project.

DIMENSIONS: You’ve done what a lot of plastering-capable contractors have done, moved into the exterior insulated systems market. Has it proved sufficiently profitable?

KILLIAN: This market trend is just catching on, and I expect it to grow swiftly. It offers just too many benefits—insulation, design flexibility, and construction speed and ease.

We’re a Dryvit applicator and we’re doing projects on site right now. Eventually, I hope to work up to a panelized system, but this takes time.

DIMENSIONS: These systems lend themselves to a number of construction approaches, don’t they? On site . . . factory . . . residential . . . high rise?

KILLIAN: The trend is strong, no doubt about that. We’ve seen it develop strong in hi-rise, due to the ease of design and appearance supported by quick and cost effective project time. Put those two elements together and you have a winner.

Panelization is the key to this type of light structure, too. On an 18-20 story building you can make up the panels while the building is still coming out of the ground-while the documents are still being worked on.

DIMENSIONS: Speed in building is one thing: getting paid speedily is just as important. A contractor once described a beautiful job as one where he collected his money and showed a profit. How do you handle your accounts receivables?

KILLIAN: Your contractor friend speaks my language. On the 10th of the month my staff is preparing the receivables profile and on the 15th I start calling so the receivables will be where I want them.

Truth is, we’ve had real good luck. We watch with whom we do business; we’re careful about contract language we sign, and we get out our invoices and follow up. It’s strictly fundamental, but that’s what works in this business.’

You can pound on the table all you want, but if it’s in the contract you’ve got legal leverage. Without that, you just hurt your fist pounding.

DIMENSIONS: Tracking a job?
How do you handle that end of the business . . . in the field or through your management?

KILLIAN: I perhaps spend a larger portion of my time in the field than other subs. A good visual inspection, augmented by weekly job cost reports, gives me a good feel of where we are at on any job. Nothing beats walking the job to spot trouble areas . . . or developing trouble areas.

The quickest path to a loss on a job is not knowing your costs at any given time. Often, paper reporting won’t provide that insight.

DIMENSIONS: Does your company make use of a computer to crunch all the numbers?

KILLIAN: Yes, we have an IBM which performs our bookkeeping and accounting functions. The estimating is still done manually, but we’re working on that phase, too. Right now the data flows so fast that a business can’t handle it manually.

The biggest factor in construction in the last decade has been the emphasis on speed of completion. We claim now that the situation is ridiculous, but it’s going to get even more hectic—and a computer is the only instrument that will enable you to keep the pace.

Perhaps the old-time quality is sacrificed a bit in the name of speed, but the new systems—Dryvit, for example—allow the sub to match the market demand.

DIMENSIONS: In the interest of speed, wouldn’t this be a good demountable partition market?

KILLIAN: I don’t have a good feel for the demountable market or its volume. Some 70% of interior walls are gypsum board here and maybe the other 30% is demountables. Fixed partitions seem to get the nod.

In that, we do the taping and turn the final finish over to others. I’m not interested in entering such a paint or vinyl headache area because it would represent only a growth in sales—not necessarily profits.

DIMENSIONS: Your company is a union operator. In view of the trend for the past few years are you entertaining any second guessing on that particular status?

KILLIAN: I intend to remain union if at all possible. The biggest obstacle right now for union contractors is to improve their production and work quality—and I’m not talking about wage reductions.

The amount of work that a mechanic puts out in an hour has fallen dramatically in the last decade. Both union and management leadership are responsible for allowing this to happen, unions for not controlling it and
management for accepting it.

If the problem is to be corrected, then we’ll just have to work together again . . . this time for the good of the industry.

DIMENSIONS: Are you talking for the good — or the salvation — of the union contractor?

KILLIAN: The situation could become very serious in the next 3-4 years until there’s a reversal. A number of non-union contractors are encroaching on traditional union markets, and the competitive situation right now is scary.

What’s recently happened is that non-union wages have climbed while union wages have held the line. In that area there’s parity, but the trend does seem to be toward non-unionism. It’ll continue, too, until both sides sit down together, admit they have a serious problem, and start doing something meaningful about it.

DIMENSIONS: Then you don’t see an immediate shift?

KILLIAN: Hardly, from the reports I get, the run to non-unionism or double breasted operations is continuing.

You know, a good mechanic doesn’t wear a union or non-union label; he just goes ahead and does a good job. That’s what is needed: a change in attitude by unions and by management.

It can be done. It’s called being responsible.

DIMENSIONS: As a final question, Ted, what trends do you see shaping the industry in the next five years?

KILLIAN: I’ve already alluded to the union vs. non-union thing. I think that will take up a lot of attention.

Then some of the new systems . . . the exterior insulated systems, for one . . . will gain a larger share of the market.

I look for some innovations in interior partitioning, too . . . something to give a quality partition but swift to build and cost effective. We really don’t have that yet.