By Michael J. Major

"We exploded into the marketplace," says Michael Newman, vice president of Firstline Systems, Inc., Kirkland, Wash., "but we peaked after two and a half to three years. We saw that we were creating volume but not totally happy customers, so we took a harder look at the way we approached things. We took our company apart, took a close look at it, then put it back together the way we wanted it."

Adds Firstline President Bill Luker, "We saw that rapid growth was being translated into mediocre profits, that growth for growth's sake was not necessarily good for the longevity of the company. We wanted to be involved in a company we could be proud of, one that had integrity and gave the customer the best product it could. In growing too fast, this was sometimes compromised."

In the beginning, a key reason the company was able to explode into the marketplace when it was founded in July 1986 was that it had the momentum of owners who had extensive experience in the business. They had been working for a Canadian company that was doing quite well in the United States but eventually went bankrupt in its home country, mainly because the Canadian economy at that time was very flat and offered little flexibility.

The owners then started Firstline Systems, in the United States. "We had customer confidence," Newman says. "We were immediately able to start winning contracts, so we didn't have to prove ourselves or reinvent the wheel."

"Although we're a corporation, we function like a partnership," Luker explains. "Each of the four owners has a particular area of responsibility, which allows us to work cohesively together. It's an arrangement that has worked out very well."

Luker is responsible for the long-term financial planning and analysis. Newman is in charge of the drywall, plastering and metal stud division. Terence Gregory is the vice president in charge of the acoustical division. Jeff Heald, the controller, is responsible for the accounting and financial reporting.

There's Work in Washington

Firstline Systems, which brings in annual revenues of $7 million, focuses primarily on commercial construction with drywall, metal stud framing, acoustical ceilings, plastering and exterior insulation and finish systems. The
Clockwise from top left: Bill Luker, President of Firstline Systems, Inc.; Jeff Heald, controller of Firstline; Michael Newman, vice president of Firstline; and Terence Gregory, vice president in charge of the acoustical division.

owner’s experience, expertise and range of contacts allowed them to jump start as a business and quickly move into large projects. A few of the company’s more interesting projects include a $2 million job to retrofit The Bon Marche flagship department store in Seattle with newly created molds, ornamental plaster and special soffits. Work currently is being done on three other retrofits for The Bon Marche department store. A complicated exterior insulation system, with special engineering requirements, was attached to the existing-structure of the Tower Building, also in Seattle.

Other projects in the Seattle area include the exterior of the Valley Medical Center: an addition of about 10,000 square feet of curtainwall systems. The company has done extensive work on the Southhill Mall, which has been voted the nicest mall in Washington.

At Boeing’s plant in Everett, Wash., Firstline had to construct 25-foot sections of wall and slide them 6 feet back next to the flight lines, all while working 70 feet over the flight line. All materials had to be craned into place for this $1.5 million project, with the foreman of three different crews staying in radio contact.

At the Renton, Wash., Boeing plant, a nine-day shutdown meant all fireproofing had to be accomplished within that period. It was a $125,000 project in which the scaffolding cost more than $45,000. Sheetrock was used instead of spray because the spray would not dry within that nine-day period.

It Works with Computers

Just as the company started with a solid management team, so too did it start with a solid computer system. “We were computerized right from the beginning, so we knew just how profitable our projects were,” Luker says. “We started out with a computerized system that some contractors are just now getting into.”

Nevertheless, some adjustments have been made along the way. Newman reports that their project management and accounting software has been working well, “but we spent a fortune on an estimating software that was aimed more at the whole construction field; our segment is more complicated. The language wasn’t right and it was taking a tremendous amount of memory and speed, along with a lot of unacceptable compromises.” In any event,
that software has been discarded, and Newman is pleased with the new estimating software.

"Having the right numbers is definitely one of our strengths," Luker says. "To get as close to our desired profit margin as possible, we spent a lot of time preparing estimates. We have a good rapport with our suppliers, and our field force helps analyze what any particular job will actually mean in real-time impact. We try to nail everything down, to understand all the knowns and eliminate the unknowns."

Newman says the company has learned a lot about how to approach a project. "If you can’t control a project, you can’t make money from it," he says. He explains that project management is more than compiling numbers; it’s using those numbers in an ongoing way to continually make adjustments. Weekly labor and material costs are incorporated into the modification of the management plan. Problems are addressed as they occur, with the appropriate combination of performance, skills or materials as opposed to doing expensive corrective work later.

Just as all external costs are constantly monitored, says Luker, so too “do we maintain a strong review of all internal costs, doing as much as we can to contain those through a monthly analysis.”

The functions of the office staff are shuffled as much as possible to find the most effective combinations. Tasks are analyzed. Even when the changes don’t work and the company reverts to its former mode, “the review process gives us confidence that what we’re doing is right. We continually search for a better way, but just finding out that what we had been doing has a value too.”
For instance, the estimating and management functions were typically combined as work for one individual. The company tried breaking out these functions into two different people but found out, through trial and error, that having the same person responsible for both worked best.

**Focusing the Strengths**

Another dynamic to running a successful business, Newman says, is “identifying your most profitable markets, then staying there and developing relationships while phasing out of those markets that are not that profitable.”

By way of example, after finding it couldn’t get sufficient profitability out of doing a spray-on fireproofing job for a 12-story building in Tacoma, Wash., the company phased out that area. It also has cut back on plastering and EIFS work because the market has gotten too competitive. On the other hand, says Newman, “We’re focusing on our strengths, which are drywall, metal stud framing and acoustical ceilings.”

The market conditions that necessitated Firstline becoming especially sharp in its business practices and selective in its markets came about through a strange paradox. It wasn’t that the Pacific Northwest economy was down; on the contrary, it was doing well at a time when the rest of the country was in the dol-
drums. The result was a large influx of contractors from outside the state.

When the company first became clearly focused on profits, putting that value above mere growth, profits quadrupled. That period started in about 1989. The flat period resulting from the influx of out-of-state contractors, however, occurred in 1992 and 1993, and many of those contractors have stayed. “Negotiated projects got real hard to find, and profit levels were down, so we had to become very accurate on our labor estimates and become very aware of our marketplace,” Luker explains.

Luker adds that Firstline was able to maintain profitability in this difficult period, during which many local companies were struggling and some went out of business. “Currently, we’re not as profitable as we would like,” he adds. “But we think as the national economy improves, things will get better, that some of the out-of-state contractors will return home and local contractors will feel a lightening of the load.”

**Survival of the Fittest**

A key reason Firstline has not only survived but also prospered during a tough economic period is that it learned to look out for the customer’s bottom line as well as its own. “We’ll typically go into jobs where there’s overtime estimated and we’ll eliminate the overtime,” Luker says. “We’ll push the trade in front of us, make room for the trade behind us and work with all the trades to foresee and solve problems so that the project gets done on a timely schedule. We’re often able to make this happen even when, by the time we come in, the project is already behind schedule. We know that if things go too slowly we don’t maintain our production rates. And we convey that same message to the crews from the other trades.”

The owners of Firstline are very supportive of association activities. The company has been a member of The Association of the Wall and Ceiling Industries–International for 10 years. Newman currently is on the AWCI board of directors, and he is very active on various committees for the local wall and ceiling association in addition to various committees that work with unions to solve mutual problems.

As for the company? involvement with AWCI, Newman says, “The metal stud and drywall industries are young and complex compared to our competition: masonry and concrete. So our involvement keeps us abreast of changes and allows us to help make those changes. And working with various leaders on industry problems helps inspire us to reach a higher level of quality”

**About the Author**

Michael J. Major of Port Townsend, Wash., is a free-lance writer for the construction industry