

By Michael J. Major



BUILDING AN INDUSTRY FOR OUR CHILDREN

A New Attitude Galvanizes a Sensational Success at Interior Systems

"I don't want my kids to get into this business.' That's something we have all heard all too many times," says Brian Whipple, chief estimator for Interior Systems Inc., Boise, Idaho. "We decided to make this a company and an industry where we would be proud to have our children work"

This decision was one of a remarkable series of events that started four years ago and transformed a typical drywall company into a dynamic pacesetter.

A few statistics sum up the story:

- Average yearly sales have increased from the \$4 million to \$5 million range to around \$15 million.
- Market share has more than doubled from about 20 percent to more than 50 percent.
- The employee count has moved from about 60 to 80 to just under 300.

- Employee wages and benefits improved more than 30 percent.
- An employee performance program was initiated that



resulted in improved performance for the company and a payment of more than half a million dollars in incentives over the past two years.

n A comprehensive safety program has lowered the company's loss-to-premium ratio more than 100 percent.

n An apprenticeship program is developing skilled laborers and managers from within.

How did this remarkable success story come about? The company was founded in 1984 by Harvey Neef and Bert Bradley. Although they had built up a respectable business, they determined they could do better, so they went out to recruit some top talent, both locally and nationally. They found what they wanted-and more-for the people they hired brought a unique blend of experience and talents that helped the company really take off.

"The chief personnel from the company, both field and office, decided to map out the kind of company we wanted to

become," Whipple says. "We were a pretty good player in the market but not dominant as we are today. We wanted to

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become number one in the region for our customers, employees, ownership, suppliers-all our stakeholders."

The secrets to ISI's success can best be uncovered by looking at the following four categories: employee performance, safety, the apprenticeship program and management.

EMPLOYEE PERFORMANCE

Whipple describes his market region in Southwest Idaho as somewhat isolated, with a very limited labor force, and therefore highly competitive in terms of finding good labor. "The competitors are not friendly to each other," he says. In addition, a regionally depressed economy that existed through the 1980s brought about low wages and a correspondingly low employee morale.

"When I first came here about four years ago, I thought the production rates achieved were 40 percent to 50 percent lower than what I saw in the rest of the country," Whipple says. "From talking to people in the field I learned that they felt the wages and benefits were so low that they weren't motivated."

So the company decided to look for ways to improve employee compensation while at the same time improving the performance of the company. "We knew that a dramatic increase in wages would not necessarily improve performance and safe-

ty. We could end up being less competitive in the marketplace,” Whipple says. “So we developed an incentive plan with the intent of making it a win-win situation for both the company and the employees. We would not mind paying more, provided they helped us earn more. As long as we had improved productivity, we could pay more and still remain competitive because our overall unit costs would remain stable.”

An employee becomes eligible for the incentive plan after working there six months. Quarterly bonuses are paid out based on the performances of the individual employee and company. “The goal is to reward the performers and to encourage the nonperformers,” Whipple says, “and to move away from the concept of giving everybody the same pay regardless of performance.”

Supervisors and foremen evaluate all the journeymen on a weekly basis on their time card. The seven areas in which the employees are scored are productivity, safety, quality, attitude, attendance, leadership and skill development. “We put the greatest weight on the first three areas,” Whipple says. “We had thought of making productivity the heaviest weight but thought that would send a wrong message if safety and quality were to come in second or third.” The scoring system is on a scale of one to five. One is below expectation, two is at expectation, three a little beyond expectation, four is quite a bit beyond expectation and five is significantly beyond expectation. If an employee scores below expectation for the quarter, no bonus is awarded.

Points are added at the end of each quarter, and each employee is given his earned share of the overall pool of

funds that represent a combination of both individual and company performance. Because of quarterly swings, any particular downturn of which might not be caused by employees’ lack of performance, the company’s performance is determined through a

rolling average of the previous eight quarters.

SAFETY

“What we identified as a particular area of concern was safety and the related

compensation costs," Whipple says. The numbers tell the story of what has happened since. In 1992 the company's loss-to-premium ratio was 117 percent; in 1993, 89 percent; 1994, 43 percent; 1995, 32 percent; 1996, 15 percent; and so far this year, 13 percent. Whipple does not exaggerate when he says that safety has undergone "an incredible turnabout."

In addition to having safety as one of the lead categories in the regular incentive program, there's also a separate incentive program for safety. For every 700 hours of time not lost to injury or an accident, the employee is awarded a company shirt, jacket or some other item, typically labeled along the lines of 700, 1,400, 2,100 or more safe work hours. The intent is to both recognize the individual and instill a sense of company pride in safety.

The company regularly provides training in topics such as first aid, fall protection and scaffold safety. Manufacturers representatives and consultants give talks. And there are weekly jobsite safety meetings. Insurance company representatives and independent consultants routinely inspect the jobsites and

warehouse. ISI also takes a proactive stance with OSHA, working with that agency to improve safety. And, there is a full-time risk manager whose roles include making sure all the jobsites are safe and have the necessary equipment, that the employees are instructed in safety protection for their particular jobs, and aggressive follow-up on all workers' compensation claims.

APPRENTICESHIP PROGRAM

"Four years ago, when we were looking ahead at the type of company we wanted to become and at the constraints in the marketplace, one area where we saw the most urgent need was in the training of employees to become true journeymen," Whipple says. "This being an open shop market, there wasn't an effective training mechanism in place for the local industry, especially for the acoustical carpentry trade, so we decided to develop our own in-house apprenticeship program."

The four-year program, now entering its fourth year, has been



Training an apprentice

very successful, Whipple reports. Already, two individuals from the program have worked themselves into foreman positions. Currently, 29 apprentices are enrolled, with at least 12 more to be added this September. The program is registered with the U.S. Department of Labor Apprenticeship Bureau. Manufacturers' representatives come to provide up-to-date instruction, and all management personnel are encouraged to become involved to help with the training.

Apprentices attend class one night a week. During the work-

days, they are rotated in the field so they become proficient in virtually every type of job. The computer database tracks class attendance and work hours in each type of trade. If an apprentice is lacking in any type of work, he can be assigned to that area. Knowing that there was the danger of these apprentices being lured away by other companies, ISI built in a number of incentives to encourage sticking with the programs, such as a progressive scale of increased wages and bonuses. A four-year fund of \$500 a year, or \$2,000, is awarded to each apprentice upon completion of the program, in addition to yearly \$500 cash bonuses.

MANAGEMENT


The transformation of ISI has been the result of management vision. How does management work? “Teamwork,” answers Whipple. “Just about every important decision has involved a team process to get there. All the ideas were developed through the Operations Team, which consists of the chief estimator and operations manager, estimators, project managers and superintendents, a group of 25 to 30 people who meet regularly and look ahead to various concerns of the company and map out strategies to deal with them. Of all of the changes we’ve made, it would be hard to say that any were this or that persons idea. It all came about through the team process.”

At the start of each fiscal year, the management team makes a list of strategic goals for the coming year. Categories for the past year included sales and profitability; opportunity expansion in terms of geography, customers and types of work; customer development and retention; employee development; systems improvement; and maximizing shareholder benefit.

The company engaged in more than 300 projects last year, ranging from a \$200 to an \$8 million contract. “We embrace diversity and are stretched by it,” Whipple says. “ISI is a full-service subcontractor offering framing, drywall, acoustics, EIFS, prefabricated wall panels, plastering, insulation and access floors. And we have sister companies doing a variety of trades such as flooring, doors, hardware and countertops. ISI recently expanded into cleanrooms and cementitious fire-proofing, since those were emerging markets.

“One exercise we do on a quarterly and yearly basis is ask ourselves what we would do if we were an outside company and wanted to beat ISI out, and then we do it first,” says Whipple. “This helps us remain focused.”

ISI, Whipple adds, is also very “computer friendly. We make use of technology to help support our efforts.” The database tracks upcoming work in the area, bid results and competitors’ work loads. It also spots trends in terms of what work contractors are giving to what subcontractors. Equipment and tools are tracked on a daily basis. And the project performance database helps determine how the company does on various types of projects. Work can be sorted by the project managers, estimators, field superintendents, customers, type of work, size of the jobs, and so on, so the company can better understand where it’s going and what it needs to do to improve.

In sum, all the folks at ISI work as if their company will be around not only tomorrow, but for their next generation. 

About the Author

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