Gregory J. Zavaglia likes doing business with banks, for they always pay on time.

Did you read that sentence right?

Yes, you did. It didn’t say that banks like to do business with Zavaglia because he always pays on time; he doesn’t borrow money from banks. His St. Louis, Mo.-based Interior Construction Services, Ltd. does a volume of $40 million a year, is self-financed and has no debt. He has a $1 million line of credit with his bank and has never used it. His cash position allows bonding of up to $20 million for a single job and up to $40
million for a total job. He puts his money in the bank he started with, First National, and spreads his profit-sharing dollars among four other banks.

More significantly, says Zavaglia, “Some of our biggest customers are banks.” He enjoys doing the interior work for banks because, again, banks always pay on time. But banks would like the more conventional relationship.

“Banks are always calling me,” Zavaglia says. “I tell them I’m sticking with the bank I started with and, fortunately, don’t have to borrow any money.” It’s true that Zavaglia did borrow $1.5 million the first year he was in business, but that was 18 years ago; he paid that back, and all further profits were plowed into the company. From then on it was steady, self-financed, upward growth.

**How Did He Do It?**

How did Zavaglia get from there to here? Zavaglia was the third of several children born of two immigrants who came from the same town in Italy when they were 14 and 15, although they did not meet each other until they had arrived in this country. His father was a plumber, his mother was a housewife, and Zavaglia says he was the family’s “first entrepreneur.”

He didn’t start out that way, though. He grew up across the river in Collinsville, Ill., where he graduated from high school. After completing an apprentice program, he became a lather. After doing that for six years, he went to work as an outside superintendent for eight years. When the company was bought out, Zavaglia stayed on with the larger company for nine years as general manager. But, in 1980, having, as he recalls, “a burning desire to have my own business,” he struck out on his own, with his partner, Joseph Militello, who, Zavaglia says, “was very knowledgeable of the acoustical coiling portion of our business. Because of his experience in this area, we are now dominant in this field.”

Zavaglia bought Militello out four years ago. A key employee who has been with the business from the start is Dennis Beausang, vice president and controller. But it is very much a family business with two brothers, two brothers-in-law and a nephew working with him. His oldest daughter, Cindy, 36, is a school teacher. But his two sons, Michael, 35
and Gregg, 24, work with him as senior vice president and secretary-treasurer and co-owners respectively.

Both sons bring a different set of talents to the business. Michael, a carpenter, knows all of the nuts and bolts of the trade. He is in charge of the tenant finish department and also handles the vehicle fleet. “Michael is one of our biggest producers,” Zavaglia says.

Greg, who joined the office right out of college, works closely with Beausang and is learning the financial end of the business. He instituted the tool control program, barcoding all of the tools to keep track of that $1.5 million investment.

A Pretty Big Niche

Zavaglia says he has found his niche, but it’s a pretty big niche. He is the largest business of his kind in the area. Engineering News-Record (October 1997) lists ICS as one of the top 600 specialty contractors, number 11 in the wall and ceiling category. The company has had at least some part of every high-rise in St. Louis that’s been built since its founding. The company also does a lot of hospital work.

They’ve also been involved in very big jobs, such as the football stadium and, currently, the largest federal courthouse to be built anywhere. This is a $15 million job that ICS is sharing with another company. ICS also does a unique 10 percent of its business by having in-house, permanent crews, ranging in number from 13 to 35, in about five large industrial operations. The crews go to one project to another in the same large industrial complex. It even has a trailer, secretary and superintendent on site.

One thing that gives ICS its edge is that it doesn’t have to figure in interest into its bids (since it operates on its own capital), and so can be both profitable and cost competitive on jobs.

Another key factor contributing to the firm’s success, Zavaglia says, is that “We do so many things that our competitors do not do.” The services the company offer include not only acoustical ceilings, lath, drywall, plaster, metal studs and fireproofing, but also flooring, doors, frames, hardware and tenant finishing—virtually everything except the mechanical and electrical work.

In addition to doing conventional con-
tracting, ICS also acts as a general contractor for tenant finishing. This somewhat unusual focus for a wall and ceiling contractor was not originated by Zavaglia. He learned all about it by working as general manager for the last company that employed him. At that time, he found out all he needed to know so that when that company phased out of that arena, Zavaglia could build his company with that focus. Now this general contracting tenant finish business constitutes about 50 percent of his revenues, even with his traditional subcontracting.

About this general contracting aspect, Zavaglia says, “No one else in this area does it, and this gives us complete control of the job. It doesn’t necessarily put us in a better bid situation, but the owners generally like dealing with one contractor who will do it all.”

How He Gets Paid

Another unusual aspect to the company’s success, Zavaglia says, is “We hand our customers the bill, and 95 percent of the payables we pick up in person.” This is a practice Beausang initiated at the start of the company.

“A lot of people laugh when they hear about this. It might sound like a tremendous waste of time,” Zavaglia says. “But it’s pretty hard for somebody to say he didn’t get our bill when we put it into his hands. It’s really a tremendous asset. We know who we are talking to if we have to call them. In 30 days, we call them, and if they have the check, either Dennis or my son goes to pick it up. Or, if there are extenuating circumstances, we try to nail down a definite payment date.” Zavaglia adds that, whereas the average collectible time period in the industry is 55 days, for ICS it is 42 days.

The Work Force

Zavaglia currently has 21 people working in the office and 225 in the field. He has participated in surveys and talks to competitors and so concludes, “We pay our employees very well.” They are involved in profit sharing, and everybody gets
bonuses at the end of the year, some more than others, depending on productivity. But everybody gets one.

All the people doing estimating and sales in the office started within the company as apprentices, then worked up through carpenter, carpenter foreman, superintendent and then the office.

“They have a very good working knowledge of what we are trying to do,” Zavaglia says. There is a full-time mechanic/tool person who takes care of all of the equipment and makes sure it is operating properly. Another specialist in the warehouse handles the flooring, utilizing a computerized carpet-cutting machine. This means all the cutting is done in the office and delivered to size the site, saving a lot of time and labor.

Zavaglia has obviously done so many things well. Has he ever made a mistake? “Three big jobs come to mind in which we...
lost money. Why? If I knew the answer to that, we wouldn’t have lost money,” he says. “It’s easy to make mistakes on estimates. This is a high-risk, high-profit business, and we try our best not to make mistakes, but sometimes we do.”

ICS has done work in Iowa, Kentucky, Arkansas and California and currently has jobs going in Missouri and Illinois. But he has no desire to expand.

“We’ve had opportunities to expand to the Kansas City and Chicago areas, but fortunately we have enough work here. For us to get any bigger, we would have to put in another layer of management, and we don’t want to do that.” Is being just as successful as he wants to be boring? “Doing $40 million of work a year is not boring,” is his reply. “It’s a lot of work.”

Zavaglia has always worked a 60-hour week, but currently he has more time for his hobby, golf. He spends about a third of his time in Florida with his wife, Lorelei, to whom he’s been married for 38 years and whom he credits with being a good support to him during all those years.

He plans to continue working hard, while he’s working, but sees himself gradually spending more and more time in Florida. Often it is difficult, if not impossible, for a business to be passed down from one generation to the next. But that is not the case here. As Zavaglia, 60, says, referring to his two sons, “When I step down, I know the management will be in good hands.”

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