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Construction firm eschews stimulus cash

Builders Group's George Figliolia chose company culture over copious construction.

By Matthew Sollars

Buck Ennis

RECONSTRUCTION: George Figliola said he thinks his decision to stick with the private sector will pay off as the economy begins to recover.

As New York's construction industry hit the skids, George Figliolia faced a wrenching choice for his construction management company, Builders Group: Should he focus on chasing the flood of available public projects, or stay true to the culture he's tried to develop since founding the company in 1986?

Looking back at the firm's previous government experience—notably, constructing a truck-testing facility for the Department of Sanitation in Queens—Mr. Figliolia knew that handling slower-paced government projects didn't sit well with his staff. Public projects are "costly and unruly," he says, and frustrating for a management team accustomed to making decisions quickly.

So, unlike many small business owners, Mr. Figliolia steered away from the public route last year, forcing his Manhattan-based company down a path that called for taking on new kinds of projects and cutting costs. He's remained selective, however, choosing to keep his company small rather than seek a national profile, and to maintain the flexibility to choose the best projects, not just the most lucrative.

The firm, founded as an office-interiors company, had already branched into telecom, retail and even restaurants. In the past year, it has shifted heavily into building data centers.

Builders Group recently completed a 160,000-acre server farm in North Bergen, N.J., for Switch and Data Facilities Co. Mr. Figliolia says a handful of other data-center projects are either under construction or in the pipeline. His company had undertaken similar projects for other businesses in the past and started hearing about new opportunities through those connections.

"About a year ago, when things seemed to be at rock bottom, data centers were the only market with a heartbeat," Mr. Figliolia says. "We were even a little late to recognize it, but when we did, we were able to jump in aggressively."

RECOVERY SIGNS

The decision to stick with the private sector may pay off as the economy begins to recover. One sign of increasing activity in the market is that Mr. Figliolia is getting unsolicited phone calls, especially for warehouse and distribution centers.

"The fact that those calls are coming at us now is a very good sign," he says. "We're not the first call, either, so my competitors are likely seeing quite a bit more activity."

Mr. Figliolia's decision to stick to the private sector has taken its toll. Getting a big government contract might have bolstered his revenue. As it was, Builders Group's 2009 revenue fell 20% compared with 2008 levels, though it still topped $100 million.

A 20% decline matches the 2009 results for the city's construction industry as a whole, according to a report published by the New York Building Congress in October. However, Builders Group appears to be doing much better than its direct competitors in residential and office construction. Office construction volume dropped by 38% versus 2008, and residential construction was cut in half, the same report says.

Richard Anderson, president of the building congress, says flexibility has been the key to surviving in this market.

"Those who are saying 'we only do office buildings or residential' better change their tune," he says. "Those companies that are moving toward stronger parts of the market are going to do the best."

In addition to expanding his lines of business, Mr. Figliolia was prompted by the downturn to aggressively cut costs. He started looking at every purchasing decision his company makes "two or three ways," especially when ordering construction materials.

Mr. Figliolia found that vendors were being used for some orders because it was convenient, not because they were the best vendors for the items. The cost-cutting has even extended to the office supplies; some creature comforts of the boom years, like premium coffee, are no more.

In all, Mr. Figliolia says he's pared about 3% from his expense ledger. He notes that the savings will add up down the line: "If you take a small number and multiply it over 10 or 15 years, it becomes a big number."

One cost area he hasn't gone after is payroll. In fact, he added about four staff members last year, a 10% increase, and he says the number would be higher if he could find the right people.

Mr. Figliolia implemented a recruitment and training program aimed at hiring and cultivating high-level managers who could fit in with his tightly knit organization. But so far, after dozens of interviews, he's unimpressed.

"We thought we were going to make a killing of talent and stockpile it, but it's been shockingly hard," he says. "If this is the industry average, it's no surprise that [construction] has gotten so expensive, because the management teams on these projects leave a lot to be desired."