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INSIGHT AND ANALYSIS FOR STRATEGIC LEADERSHIP

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Southland Industries CEO Ted Lynch is re-shaping his HVAC firm around its growing range of services

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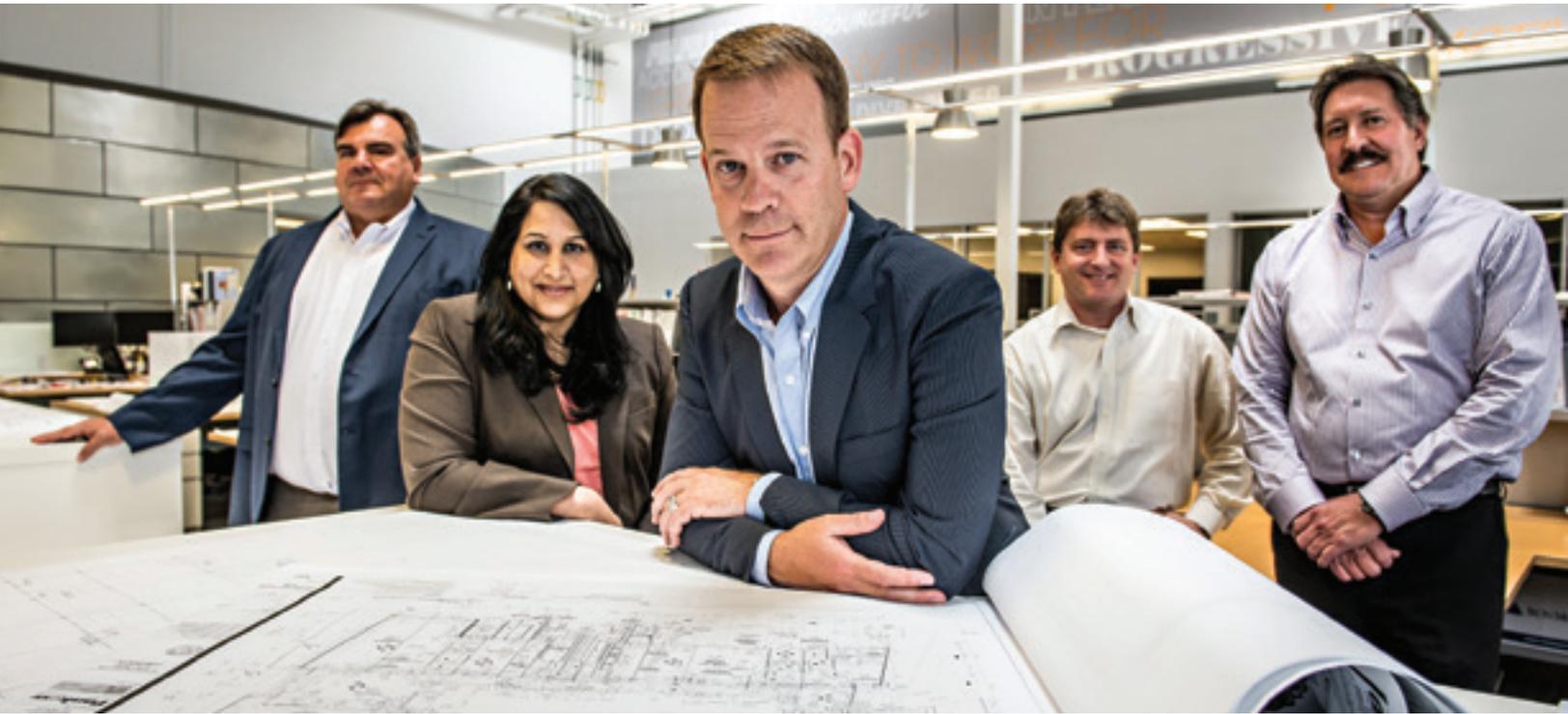
Ergonomic tools improve workers' productivity, enhance their safety

WATER WISE

An industry survey reveals how asset management is changing water utilities

P3 OR BUST?

A new take on the risks and rewards of big public-private partnerships



LEADING EDGE Southland executives, from left: Chuck Allen, COO; Natasha Shah, vice president; Ted Lynch, CEO; Mike McLaughlin – VP, preconstruction; and Joseph Cvetas, CBDO.

SOUTHLAND PUSHES INNOVATION STRATEGY

Versatile design-build mechanical contractor seeks a better balance between its public- and private-sector work portfolios **BY PAULA MOORE**

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SOUTHLAND INDUSTRIES of Garden Grove, Calif., has evolved since the late 1940s into one of this country's largest, most innovative mechanical contractors, and a big part of its strategy is making sure new ideas and processes are based on common sense. The company helped pioneer design-build delivery and was an early champion of sustainable strategies such as lean construction and integrated project delivery. It has also pushed the boundaries of building information modeling. "We've always been a little bit different from the typical contractor," says Southland CEO Ted Lynch, who holds a Ph.D. in architectural engineering from Penn State.

"Southland is known as an innovative company across the board in engineering and construction techniques," says Mike McLaughlin, Southland's vice president of preconstruction and a leader of the company's next-generation BIM strategy development. "But it's innovation with practical applications. It's easy to dream big dreams, to come up with new systems or solutions, but the practical aspect and concern for cost are key factors as well."

Southland, for example, recognizes that BIM is more than just 3D coordination and uses it throughout a project—from design to maintenance and decommissioning. "We see the advantage of BIM for its real intent, which is full life cycle," McLaughlin says.

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Lean and Meaningful

Southland was launched in 1949 when a business group bought a branch of a Long Beach, Calif., residential furnace supplier. The company developed into a residential contractor, then a commercial contractor and finally one of the 10 largest mechanical contractors in the country, according to Southland. The employee-owned business now provides design, construction, fabrication, service and maintenance for building components such as HVAC, piping and plumbing.

Southland was an early believer in lean construction and is an original member of the nonprofit Arlington, Va.-based Lean Construction Institute started in 1997. Victor Sanvido, a Southland senior vice president, currently chairs the LCI board. Lean construction practices aim to eliminate waste in construction through greater planning and collaboration among contractors, thereby saving time and money.

“There’s a quality of life aspect as well,” says Dan Heinemeier, LCI executive director. “People feel their work is more valued, that their input is valued. Lean construction is a more logical, efficient way to go.”

“There’s not one part of our business where we’re not trying to drive out waste,” Lynch says of lean and IPD tactics. “If the market moves more toward projects that have that flavor, it puts us in a good position because it’s already part of our culture.”

One of Southland’s current projects employing lean/IPD methods, as well as the time- and money-saving ConsensusDOCS 300 collaborative documentation system, is the \$151-million, 140-bed Temecula Valley Hospital in Temecula, Calif., situated between San Diego and Los Angeles. Because of those strategies, the hospital will cost nearly 40% less—\$1.1 million per bed compared with the standard \$1.8 million—than older hospitals, says Tom McCready, senior project superintendent on the project for DPR Construction Inc., part of the design-build team.

“The team picked Southland primarily for their ability to collaborate, and they had already started their lean journey,” McCready says. “We’re doing lean, but they were further ahead of us. This project is trending to be the fastest-built hospital ever in California because of Southland and other contractors and how we planned the job out.”

Numbers Game

From 2002 through 2008, Southland’s annual revenue jumped to \$471 million from \$222 million, largely because of its government work, according to

the company. Though revenue has dipped in recent years because of the recession, it has remained at more than \$400 million a year. The company’s net worth is roughly \$65 million. It employs 1,600 people.

“We were very fortunate going into the recession that we had a huge backlog, a lot of it federal work,” says Lynch. “We had a lot of BRAC (Base Realignment and Closure) projects, and that carried us through the tough years, which were also some of our best years.” BRAC was created by the U.S. Congress in 1990 to help the Dept. of Defense cut costs by closing unnecessary military bases and redeveloping others to create more sustainable facilities. Lynch says he doesn’t know yet how the recent federal budget cuts will affect Southland’s government work. One of Southland’s recent BRAC jobs—the \$826-million, LEED-Gold Walter Reed National Military Medical Center in Bethesda, Md., was completed in 2012. One of the country’s largest military hospitals, the new medical center arose from the merger of the National Naval Medical Center and the venerable Walter Reed Army Medical Center.

In addition to federal work, Southland specializes in mission-critical, education, hospitality and health care projects—from work on several California schools such as the Chabot and Las Positas community colleges to Las Vegas’ M Resort and Aria Resort & Casino. “We’re seeing a better balance now between private and public projects,” Lynch says.

The firm’s business focuses on four main geographic areas—Northern Virginia, Northern and Southern California, and the Southwest. In addition to its Garden Grove campus, Southland operates offices in Dulles, Va.; Baltimore; Union City, Calif.; and Las Vegas. Southland’s new LEED-Gold Garden Grove headquarters showcases its commitment to sustainability. It features four HVAC systems—displacement ventilation, fan-powered induction units, chilled beams and a heat pump—as well as environmentally friendly piping, low-flow plumbing fixtures and daylighting.

While Southland has been managed as a conservative, top-down company for most of its existence, Lynch is re-engineering the business to be more horizontal. “I believe in the people we have and in empowering them—in taking on a more entrepreneurial model,” he says. “So I’m trying to flatten the organization out. We’re being a little more creative in how we run our business.”

That flattening includes the recent launch of an energy-services operation. Southland is well known for its design-build work; now Lynch wants to evolve the

“IT’S EASY TO DREAM BIG DREAMS ... BUT THE PRACTICAL ASPECT [IS A] KEY FACTOR AS WELL.”

—Mike McLaughlin,
vice president,
Southland

\$400+
MILLION

Annual revenue
for Southland
over the past few
years



AIRSTREAM Southland's design for the new Walter Reed National Military Medical Center features 100% outdoor air plus technology to precondition incoming air.

company from a contractor-centric design-builder to one that can stand on its own in engineering consulting—as well as being a contracting, service and energy-services firm. “We’ve taken our business from one size fits all to focusing on separate services,” he says.

As forward thinking as Lynch is, he still holds a traditional value that serves him and Southland well. He is a company man, having worked for Southland while he was in college and since he graduated, in a time when that’s more and more rare. “Over the last 20 years, I’ve really gotten to know the company from the ground up. I’ve probably worked in every part of it,” Lynch says. “I know its potential ... so I’m stretching it and trying new things.” ■

COURTESY OF SOUTHLAND INDUSTRIES



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