

THE ACADEMY OF ELECTRICAL CONTRACTING

**Paper Presented by
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**ENTERING INTO THE
SECURITY CONTRACTING BUSINESS**

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Vision Statement: Developed by fifteen first and second tier employees during a three-day company retreat in January 1998 and facilitated by Corporate Development Services of Boston, a private consulting firm.

VISION STATEMENT

McMillan Technology, Incorporated (MTI) is a highly successful service-oriented, independent security systems integrator. MTI is dedicated to servicing clients nationally through corporate offices and regional service centers.

MTI's team of professionals is creative, knowledgeable, and dedicated to the highest standards of excellence in customer service.

We provide engineered integrated security solutions through our associations with manufacturers of quality access control and CCTV products.

We take pride in fostering quality workmanship, a positive working environment, financial success through controlled growth, and reliable service that result in developing long term business partnerships.

In 1979, McMillan Electric, Inc. entered into a two-year contract to be part of a team effort to furnish and install a very large security & monitoring system for a major airline's Maintenance and Operation Center adjacent to San Francisco International Airport.

The team consisted of:

Prime Contractor: Ewring Research Institute out of Provo, Utah, to provide the lead-end software and computer programming.

Sub Contractor: Alton Technology out of Sacramento, CA, to furnish and install all related security equipment, testing, training, and maintenance service.

Sub Contractor: Our McMillan Electric out of San Francisco, CA, to furnish and install all required conduit and wiring; both high and low voltages.

In 1981 my brother Pat, who was my equal partner in McMillan Electric, and I decided to expand our future business opportunities by venturing into the tele data communications industry.

In order to protect our core electrical business from our financial speculating into a brand new type of contracting we decided to form a separate corporation to provide a legal corporate veil between the two companies. Thus McMillan

Technology, Inc. was developed. We decided to focus on being an integrator of security systems – being proficient in one area.

A good security contractor needs to provide:

- Computer driven card access control systems.
- CCTV systems with multiplex VCR storage tapes and monitors.
- Alarm monitoring for all variety of clients needs.
- Automatic parking controls with ticket dispensing machines.
- Perimeter Protection fencing gates, infra red motion sensors.
- Time and attendance capability.
- Specific inventory controls.
- Sound masking.
- Intercoms and nurse call systems.
- Photo I.D. badging.
- Robotics.

Our goal was to provide a total turn key service for our clients by

- 1) listening to what our potential clients corporate security needs are.
- 2) providing additional information the client may wish to consider.
- 3) Providing a conceptual proposal with a

budget of cost and time.

- 4) Entering into a written contract with a scope of work, products to be used, and schedule of value for progress billing. This includes down payments to cover costs of engineering and early purchase of specific products.
- 5) Performing contract installation and coordinating with other construction contractors.
- 6) Providing training and warranty services.
- 7) Providing an on-going maintenance contract to maintain the system and provide future upgrades as newer technology evolves.

A good security systems integrator is also:

- 1) **Professional** – capable of producing system design drawings and specifications.
- 2) **Dependable and Responsive** – able to maintain installed systems and provide service expeditiously when necessary.
- 3) **Expert** in the security industry – has access to a wide range of security products and their related equipment, and is constantly being updated on new products and technologies.
- 4) **Employer of qualified personnel** – providing training for all levels of intellectual knowledge. Provides training for hands on screwdriver skills. Designs systems which are tailored to each customer's specific needs.

We realized that we already had some of the important skills to assure success in our new venture.

Knowledge: We are experienced in coordinating with construction procedures and schedules, installing conduit systems, installing and terminating multi-wiring systems, installing and testing panels, possessing people skills and the ability to do work while the client is using his facility.

Tools: We already had ladders, scaffolds, gangboxes and service trucks.

Personnel: We had 2 electricians who were interested in developing new knowledge and skills.

New areas to be considered:

- a) Sales engineers who knew the industry

and its related projects.

- b) Project Managers with “screw driver knowledge.”
- c) Installers who could install wires from point A to point B as per our own engineered point to point drawings.
- d) Technicians who could provide final hook-up and testing of head end computer equipment, commission new systems to the end user, provide on-going training to owners and employees, provide regular service maintenance on all systems.
- e) Senior Technicians who are proficient on all products and related technologies.
- f) Personnel. Since our local IBEW had no manpower or classification available, we had to advertise for workers. Because of our large investment of time and money to train each new employee, I offered long term careers instead of jobs. I wanted people who would commit themselves to a long term learning process. After a 60 day trial we sent the new workers to our local union to enter the ranks of the IBEW in a special classification. We had to educate the IBEW Business Managers regarding the big potential of their new membership to service the new tele data industry. It has been a slow 15 year process.

I needed my own in-depth education. I joined ASIS, the American Society of Industrial Security, where I met with security consultants and security directors of corporations and observed new products and methods.

I also joined the NSCA (National Systems Contractors Association).

I established a business partnership with major product manufacturers and visited their production sites to develop an on-going support system between our respective employees and the manufacturer.

Some of the benefits of MTT's business are:

- A better return on our investment. Our original \$50k to purchase start-up products has grown to just under one million in retained earnings.
- Our current banking and bonding partners

understand and appreciate our type of business. They prefer our new technology over regular electrical contracting.

- We are distributors for most of our major products, which includes exclusive territorial opportunities.
- Manufacturers provide many sales recommendations with new clients.
- We have established a direct communication link with each manufacturer.
- We also establish direct communications with our clients, which develops confidence between our companies.
- We are able to develop cost effective proposals which include a respectable profit margin.
- Our average gross margin is 34%.
- Our field employees' hourly rate is about 1/3 less than the inside wireman rate. Fringe benefits are also less.
- Full portability nationwide is a must for us to service clients who have multiple corporate offices nationwide.
- Jobs have a lower risk factor, with an average of 75% materials to 25% labor.
- We have more opportunities for total key jobs.
- We establish a business friendship with each client to assure lifetime services.
- We get to sell proposals we design rather than low bid to plans and specifications. We are not interested in being the "low-bidder" to a poorly designed job submitted by someone else.
- The market is growing faster than good contractors are entering the industry.
- Approximately 60% of our annual business is with existing clients who are expanding, upgrading or choosing to install all-new technologies to enhance their methods of doing business.

In order to speed up my personal development and that of MTI, I began to use all available resources of NECA on both regional and national levels.

When I was President of NECA's San Francisco Chapter, I started a special Tele Data Communications Committee consisting of approximately six local electrical contractors who were interested in developing their opportunity in this new growing industry.

I served on a newly formed Area-Wide Advisory Committee made up of owners, chapter managers, and IBEW Business Managers in the Western Regions from the Canadian to the Mexican borders.

This committee recommended to then-President Bob Doran of National NECA to form a special Task Force Committee to discuss the variety of specific contractor needs. I was appointed to serve on that Committee.

I was also appointed to serve on NECA's national Marketing Committee, where I could present some additional concerns for the committee to deliberate.

I was particularly pleased at the willingness of NECA Chapters and their individual members to assist MTI's ability to service our clients who had business within their regional areas.

Here is a typical example of how I used the NECA network capabilities. We were servicing a major client on the west coast who had corporate campuses in other areas of the United States and some foreign countries. I assured my client that I could align my company with the best electrical contractor in the specific area to assist in the required installation, which would be networked into the main Corporate Security Center. I then called the local NECA chapter manager, who referred me to the respective electrical contractor who already serviced that regional corporate location. They agreed to install conduit and wiring as per our drawings. I also could explain my limited scope of work using our skilled technicians. When the job was completed I encouraged the contractor to consider teaming with us to take advantage of any future work regarding security systems and their clients.

We always solicit local electrical contractors to install all the conduit that is required for our security wiring systems.

I have never had a bad experience in using both NECA and the IBEW to accomplish MTI's growing needs.

Over the years I have met with most of NECA District Vice Presidents and many of IBEW's Regional Vice Presidents. I have learned a lot from these meetings.

I believe that the IBEW is finally starting to respond to our labor needs with special apprenticeship curriculums and on-going technical training.

Our NJATC is very involved in developing new training methods.

In conclusion, let me make the following statements:

Our future is *NOW*. We should be ready to take full advantage of the current business skills that we use in our electrical contracting businesses to enter into the vast tele data communication industry.

It will be a slow process because it has to be learned and developed.

It is FUN AND EXCITING. It is STATE OF THE ART. It keeps us fresh with our goals staying new. It is attractive to our younger people who follow.

I hope to see you out there as my friendly competitor. Our clients are counting on you and me to service their needs.

Leo McMillan is Owner, President and CEO of McMillan Technology, Incorporated, headquartered in San Francisco, California. Leo first became involved with NECA in 1981. He currently serves as the Governor of NECA's San Francisco Chapter. He has also held the President, Vice-President and Treasurer positions for the chapter. He is a member of the national Marketing Committee, Task Force for Limited Energy Systems, and the Western Region Area-Wide Advisory Group. He is also the Chairman of the San Francisco Chapter's Tele Data Committee. In 1997 he received the Coggeshall Award, and is the 1999 recipient of the 9th District Contractor of the Year Award.