

Founded: 1976
Location: Seattle
Employees: 16
Services: Full-service remodeling

1999 revenues: \$2.9 million
Projects completed in 1999: 10
Average job cost: \$250,000

JOSEPH F. SCHULER JR., SENIOR EDITOR

Fifteen years have passed since we last interviewed Joseph McKinstry. He's grayer, wiser, bespectacled, more reflective and philanthropic. What hasn't changed are his business essentials. He's redefined small, but personal still illuminates his style.

Joe McKinstry, Renaissance man? Is this the same remodeler we interviewed in 1985, who was scrambling for \$10,000 jobs and squeezing his kids' baseball and soccer games into a 55-hour work week?

Joe McKinstry, from Seattle, of McKinstry Construction Co.?

Is this the man who now bears know-how of kayaking, skiing, triathalons, stringed instruments, philanthropic construction, architecture, coffee, songbirds, game birds, and aviary freeze-drying? He's prodigious, this Joe. He'll comment on these subjects frequently and cheerfully. On a tour of jobs, he readily ticks off a list of birds he's spotted lately: Townsend's warblers, Bewick's wrens, golden crown kinglets, blue herons. "They're common here. You practically find them in your oil filter." And, by the way, he does darn good 6,800-square-foot custom homes and \$200,000 remodels. That's his low-to-average job these days.

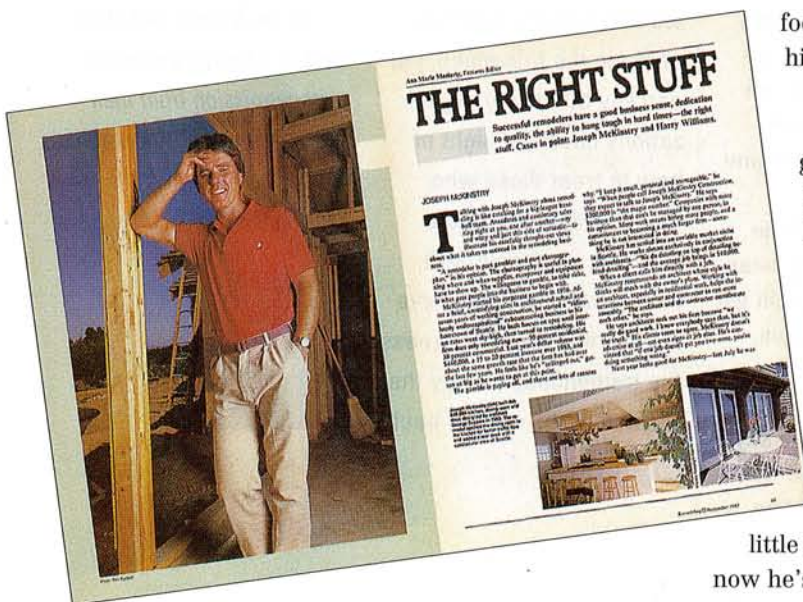
Oh, what 15 years can bring.

If a remodeler is part choreographer, part gambler, as McKinstry told this magazine back in 1985, his bet has paid off. McKinstry has strung his bow, is reading the notes (no more playing by ear), and his employees are enjoying the constant tenor of his labor.

Surprisingly little has changed about how this 50-year-old remodeler runs his business.

He has built a big company, boosting his \$440,000 annual revenue eightfold to \$3.5 million, while retaining the hallmarks and advantages of a small firm. He still carries

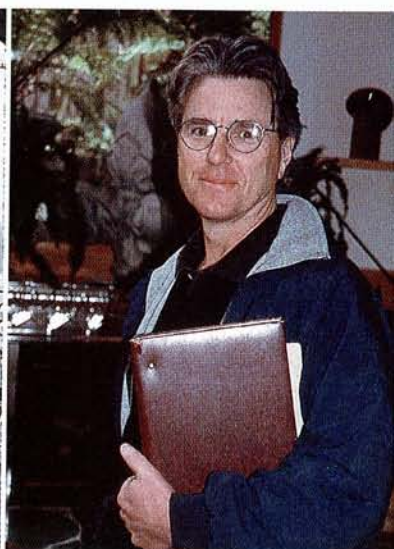
little overhead, and he still mentors employees, only now he's helping build wealth through retirement contributions and bonuses.



fine tuned



Joseph McKinstry, first captured on our pages on a jobsite 15 years ago (left, inset), now has more leisure time. When not attending to business, he enjoys practicing the classical bass, in his bathroom, for better acoustics.



PHOTOS: JOSEPH F. SCHULER JR.

Left: Joe McKinstry (on right) and one of his job foremen, Dave Duran, consult on a remodel from the home's back yard. Center: McKinstry pauses outside a coffee shop to take a call. Right: Binder in hand, McKinstry gets caught enjoying a near-finished job. It's one where the homeowner is stuck on McKinstry Construction and keeps contracting job after job.

own brand of Palm Pilot, literally taking a ballpoint pen to the palm of his hand. He works almost exclusively with architects. He continues to subscribe to the belief that the best remodels are founded on the principle of the three-legged milking stool: the ever-responsive remodeler, the wildly creative architect, and the open-minded homeowner. All are eager to collaborate. "This whole process can be really fun for people," he says.

But some things have changed. One job alone this year came in at \$440,000. This year will mark the sixth in a row he'll work on a Habitat for Humanity blitz project, and he'll be house leader in New York City. Locally, as head of Habitat's construction committee, he'll push for more low-cost, handicapped-accessible homes.

He works less: 45 hours a week. Overall, he just has more time. His kids are now in college. He can put in extra hours if he wants, enjoy the fruits of his labor if he wants, test his new classical bass skills in an ensemble, if he wants.

"God bless my wife, she plays along with me," says McKinstry of the woman who once kept the company books and now keeps many more as the University of Washington's head librarian. "She plays the cello. We're

Although he no longer swings a hammer, he's still the main customer contact. He "runs the trap line" twice a week, visiting jobsites, enjoying playful repartee with clients, subs, and crew. He helps troubleshoot a piercing door alarm, tries to figure out how to kick-start a high-end dishwasher from New Zealand, kibitzes on a small asbestos cleanup, jots an appointment down on his

in this little orchestra. The two youngest kids are probably 8 and 7. I shudder to think that I'm probably one of the oldest in the group."

That's Joe, Joe McKinstry. Always open, always learning, always ready to take chances, even if it means he might have to share a music stand with a child. He's kept his keen sense of humor, which, as one past client notes, can sometimes be more important than a well-placed nail.

In a sense, little has changed. McKinstry's the same. It's his world that's different.

The company has six employees: two carpenters, a carpenter's helper, a part-time bookkeeper, McKinstry, and his wife, Jill, who is just now easing out of seven years of doing the firm's books.

"It's a classic story," he says, "a bootstrap operation with an office in the basement."

—REMODELING, 1985

A raccoon watches over Joe McKinstry in his home office. It's a rummage sale raccoon, stuffed, with a red ribbon collar. "Just what I always wanted," McKinstry says. "I'm fascinated by animals. I have bird bones and whale bones all over the place."

History and nature are a beginning for this remodeler. McKinstry's office is an exhibit, a goldfish bowl of organic wonder—that's if you can ignore the boxing nun on a corner shelf. The office, still in the basement of McKinstry's house, is a cozy paraphernalia cubby that looks out onto the vibrant ivy and mossy cedars that spring from the hillside glen rimming Baker Park. The park draws the finches and hummingbirds he loves.

At the center of the glass-enclosed retreat that has grown from one room to the whole basement, McKinstry kicks back for a moment, comfortable in the same type of khakis and polo shirt he wore when we last snapped his picture.

"We still work the same way," he says, surrounded by

"I don't think 15 years ago I worked with architects much. I was more in the adversarial, the classic, mode with architects: Contractors know everything."

Joseph McKinstry

job binders and blueprints. "We give people the price ahead of time, and now, I don't know if we did this back then, but we give them a schedule—this is it, we're going to be finished by this day. And we really have gotten a reputation for finishing right when we say we're going to finish—or earlier."

This isn't hubris for McKinstry. It's truth. It's what his clients—who contract for jobs such as a \$220,000 remodel in Ballard, a \$250,000 job in Broadmoor, a \$770,000 rehab in Capitol Hill, a \$2 million new home in Bellevue—are willing to pay for. The work ends up in *Better Homes and Gardens* and *Seattle Fine Homes*.

But it's still a risky business, McKinstry says. "By gambler, I think back then that you tended to think every job was your last job," he says in the second person, almost as if he can't believe "you" could mean "him" in 1985. "I think there's still a tremendous risk in this business. My God, the liability we face." Only now, it's workers' health, asbestos, the chance of a bad credit risk.

The remodeler says he has removed some risks by eliminating design/build construction. By doing design/build, he found himself impaired by budget.

"And I'm all for the design being sensitive to the budget, but you can get to a point where you're really not thinking anything wonderful," he says. "You've kind of lost the spark."

Architects add that dimension to a project. "I don't think 15 years ago I worked with architects much," he says. "I was more in the adversarial, the classic, mode with architects: Contractors know everything."

This remodeler believes there are times when architects should draw what can't be built, then work backward. "And I don't mean what can't be built budgetarily. I mean what *just can't be built*. Just really a structural nightmare. And yet somehow we've come up with really wonderful homes. Amazing stuff."

That's Joe, working backward to arrive at a solution. And an overpowering, creative solution at that.

"I keep it small, personal, and manageable," he says. "When people call Joseph McKinstry Construction, they expect to talk to Joseph McKinstry." He says \$500,000 is the "magic number."

Companies with more business than that can't be managed by one person, in his opinion.

More work means hiring more people, and a commitment to becoming a much larger firm—something he is not interested in doing.

—REMODELING, 1985

Joe McKinstry eats quick lunches—tuna on white bread today—but he doesn't ever eat what comes *from* his mouth. "I don't ever eat words," he says. "I never look back. That was me then. This is me now. I had kids. I was great with them. I coached their baseball teams and I coached their soccer teams. That was the most important thing. More than any of this other stuff. And what has happened is my kids have grown and gone away. They've gone to college."

But what about small, personal, manageable? Six employees in 1985 have ballooned to 16. Three of them, including McKinstry, work in the office. One is almost fully dedicated to worker and subcontractor safety.

"I don't think we've broken any of those rules," he says. "I think we've kept it small. I think it just becomes a definition of small."

"I'm still the main personal contact for all the people we do work for," McKinstry says. "My name is still on the door. I just expanded with this group of people who are our representatives."

Indeed, he has gone from having the right stuff to having the right staff. Like his precious birds, he catalogs key personnel: Shanon Boyns, business manager, who handles company finances; Craig Nurmi, field supervisor, who, with McKinstry, coordinates outside-office activities; Joe Berndsen, site superintendent, who handles site-specific work; and Dick Keyte, cabinetmaker, who runs the cabinet shop, which crafts cabinets solely for McKinstry's jobs.

McKinstry still does the company's estimating, with help from Boyns and Nurmi. "Estimating to me is so integrated with job quality and job service," he says. "You put enough in there so you can do the right thing. Maybe that is to eat an overrun so it never even shows up on the owner's radar."

He says he always dreamed about guiding a group of

"The owners want me. They know I'm the conduit. That hasn't changed."

Joseph McKinstry

remarkable craftsmen, giving them leeway to do their job, because that's what happened to him.

"But you get to be 45 or so and the shoulder starts to ache too much every morning and the elbow gives out," he says. McKinstry envisions the inevitable next phase of his business: having the company continue without him. He understands he'll have to add to his core group. The remodeler still has no salesmen. "I'm not the salesman, I'm the selector," he says. "I can't tell you how much work I've turned down—millions. Shannon, how much work do we turn down?" he asks his office mate, as if for confirmation. He says the hardest part of the job is saying no.

He interrupts the conversation to take two phone calls from clients. "That's real common," he says. "The owners want me. They know I'm the conduit. That hasn't changed."

He says the company has gotten bigger, yet it's right where he wants it, with not too many, or too few, jobs.

McKinstry says based on the almost unlimited work available in Seattle, he could run a \$50 million company. But his customer and employee relationships wouldn't be the same, and maybe, just maybe, he's not ready to let go of that part of his business. "I think you, 15 years later, got us at another plateau. The next plateau would be for me to not be getting these calls."

McKinstry says he has gone through an identity crisis of sorts, from when he first started his business. He couldn't figure out if he was a carpenter or a contractor. Then he hired staff and realized he had a construction company, requiring a further step up into managing a company and not seeing production through day-to-day. He took on subs, requiring another level of management, and hired Debbie Saxon, his safety manager.

Now, stretching even further, he's establishing the company beyond the McKinstry name, where everyone carries out quality. When McKinstry's solo is over, it will be time to edge back from the spotlight. There will be a salable product, not just a name. "Empowering people," he says. "True delegation. As in, 'I give it to you. Do it. Bye.'"

On the subject of profit, McKinstry waxes eloquent. He asserts that "if you're ever the low bid, you've done something wrong. After about five years in the business, you really learn what it costs to do a job, and you'll never be low bid again."

—REMODELING, 1985

"Nowadays I have much more comfort being close to the low bid because I know there are people who are really gouging right now," McKinstry says. If a contractor sticks to the profit percentages he has always used—instead of goosing the market for all he can get—he may find himself bouncing at the bottom side of the bidding curve.

Speaking from the driver's seat of his truck, he's heading to a job on the trap line.

McKINSTRY'S 2000 CONCERTO

(Updated from his 1985 Rules of Business)

Grow with the right people. Retain your personal contact as company owner.

Hold to impeccable quality standards, in material and workmanship (this holds since 1985).

Never compromise honesty (another firm standard).

Don't advertise. One job might not generate two more as McKinstry once said, but "you can't tell where the ganglia of one job will go."

Keep a job bank so you can fill in with little jobs when big ones fall through or get delayed. This still holds true, although these customers may be past customers and the jobs may be larger. Customers must understand they could be left waiting.

Keep lines of communication open. "I'm so attached with magnetic devices it's unbelievable," says McKinstry, tethered by beeper and cell phone.

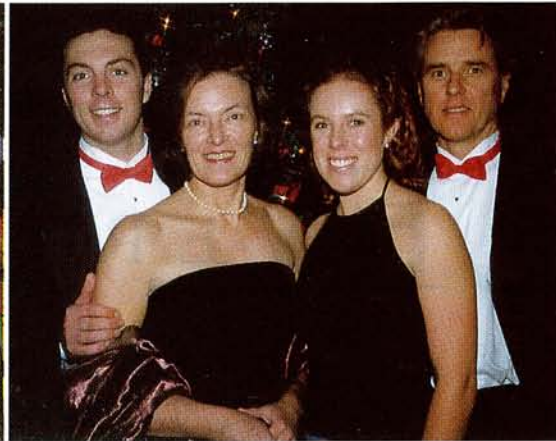
Document everything—"by the hundredfold," McKinstry adds to his 15-year-old maxim. "If I saw then what I do now, I would be scared stiff."

Check on each job every day except when you're watching paint dry—a McKinstryism from the '80s. "I've given up on the everyday bit," he says. "I've got a good guy who's out in the field and good people in the field who are checking up every day, so I have much more confidence than I had."

Coddle the homeowners. Their house is torn apart and they hate you. "That's still true. Every so often I'll do some work on my own home and I'll say, 'God, I can't believe it, I can't stand this.' I would just want to throw a penknife in the guy's carotid artery."

Don't work for people you don't like, even if it's a large job. "If it's a fabulous, sexy job and the people are jerks, you've got to live with them for the next year and a half. Why would you do that? Life's pretty short."

PHOTO: ©GREG RYSTEDT



When McKinstry first posed for *REMODELING* (near right), his daughter, Sarah, was 5 and his son, Jake, was 6. At a millennium bash (far right), the McKinstrys posed again. From left to right: Jake, 21; McKinstry's wife, Jill; Sarah, 20; and Joe McKinstry.

He adds, "I think it's important in this market to maintain your standards. But nowadays, our price point is probably lower than whatever's going on." That's thanks to, he notes, solid systems and knowing his numbers.

Knowing numbers often can come from technology, and that hasn't passed McKinstry Construction by. The company uses a digital camera and some Palms (although McKinstry ditched his because he kept "screwing up" his calendar). It continues to computerize but doesn't obsess about new software and gadgets. Marketing has grown more sophisticated, although the company still does no advertising. Every job is photographed professionally so that McKinstry has a record of his latest work. And Saxon regularly enters the company's work in awards contests and keeps magazine editors alert to its latest projects. McKinstry still maintains a "job bank"—a list of jobs to schedule in-between big jobs—although even those jobs are larger (\$45,000, say) and the waits longer (nine months) than they used to be.

McKinstry says he's become more supportive to his staff. He's creating wealth. "A lot of these guys never had their retirement set up," he says. Now, after a third year of employment he contributes 5 percent of an employee's gross salary to an IRA, while the employee contributes 13 percent. Health care, a week of vacation, and paid holidays round out the package. In March 1999, due in part to the hot Seattle market, the company began paying quarterly bonuses.

McKinstry's last stop today is an ultra-modern yet primitive-looking custom home that overlooks Lake Washington, not far from Bill Gates' house. It's a melange of concrete block, jagged edges, and glass, where "everything is on a 17 $\frac{1}{3}$ -degree angle, in line with the moon." Berndsen, McKinstry's superintendent, soon tells him that the finish baseboard that will complete a complicated Z-flashing around the home's interior is $\frac{1}{16}$

inch too thick. The solution: Buy new millwork or power plane hundreds of feet of lumber.

"That's why we have a millwork shop," says McKinstry, seemingly unfazed by yet another problem. It's a decision he's made many a time, prepared for in fact, all the way back to his computerized estimate.

He's more worried these days about the threat to his business of \$100 million commercial construction companies. "They're starting to bottom-feed our jobs," he says, climbing back into his truck and leaving the site, where red-tailed hawks duel high above construction meetings. McKinstry lost a \$1 million remodel to one of these aggressive commercial contractors. He says with the price of residential projects getting up to \$750,000 or more, the job coordination and systems sophistication of these \$100 million companies makes them a natural fit for the jobs. Smaller companies such as his can learn from how they communicate and complete their paperwork.

But only the strong will survive, he says, those whose systems and workforce are honed to the finest edge, whose practices are second nature, ingrained in their every move. Yet even the thought of oversized competition doesn't appear to deeply affect him.

Then he reflects, more seriously, on how far McKinstry Construction has come: "I don't think there are rules," he says of his present company, not the one in the history books. "By this time, it's just living and breathing."

By getting the whole company to sing with one voice, McKinstry's remodeling principles have given him freedom. Now, most nights find him perched atop a tall stool in his bathroom. (He says that room has the best acoustics.) He draws his bow. Suddenly, the strings of his mellow bass shudder. It's a deep, rich sound that carries through the house, below that and beyond the everyday. It's a long-sought sound. Its reverberations dangle on the upturned corners of McKinstry's mouth. It's the sound, the hum, of contentment. **R**