

C O R P O R A T E  
**SPOTLIGHT**



Over the last several years, Bill Gates' company has experienced some of its most prolific growth—and some of its most significant changes.

## Top Grade Construction



# Whatever It Takes



**T**op Grade Construction, Inc., a Livermore, Calif.-based contractor that specializes in excavating and grading, reached an impressive milestone last year: the highest revenue in its 17-year history at \$178 million.

However, even more of an accomplishment for founder Bill Gates was that Top Grade managed to reach that figure without losing any key customers or management personnel, in addition to maintaining a strong safety record. "To me, that's phenomenal," Gates said.

At the same time, such explosive growth has forced the company to take a hard look at the way it conducts business. Until recently, Top Grade had been using much of the same technology, software, processing, and systems as it had since its founding in 1990. The volume of incoming work (Top Grade is expected to reach more than \$200 million in revenue this year) has demanded a company-wide overhaul, from project management to hiring practices to using the latest technology.

"We're in the process of making a paradigm shift," said Brian Gates, Bill's son, who joined Top Grade last year as vice president of business operations. "We're moving from a very entrepreneurial environment to a much more managed business model."

Such widespread change rarely comes without friction, but Top Grade's leaders are committed to not losing sight of the philosophies Bill set

forth when he established the company: an emphasis on individual contributions and a close-knit culture that rewards employees.

"As we continue to grow and adapt the business, we'll continue to promote the family environment and the entrepreneurial spirit that lives in each of these employees," Brian said.

### **Up-and-down industry**

As any contractor can firmly attest, the construction industry is notoriously volatile. Building cycles are impacted deeply by economic conditions, legislation, natural disasters, and other factors. Savvy players such as Top Grade recognize the importance of diversifying their revenue streams across several niches of the industry.

Top Grade has done just that in the private sector, earning a profit every year since its founding by balancing its services across the residential, commercial, and industrial sectors. As a result, when one market sector dips, the company's foothold in others keeps it afloat.

"In my 43 years in the industry, I have never seen all of those markets collapse at the same time," Bill said. "Diversification, where you don't put all your eggs in one basket, is really important if you're going to weather the ups and downs."

Currently, Top Grade is undergoing an even bigger diversification effort by transitioning much deeper into the public sector than it has in the



past. In California, state officials have allocated billions of dollars to upgrade roads and transportation systems. Top Grade executives have made the strategic decision to position the company to secure some of that business.

Since 2003, Top Grade has shifted from 10% of its projects in the public sector to about 35%, which is on target for the 35% to 40% range Bill envisions for the future. Top Grade has created a public works department from scratch, staffed with a veteran team with expertise in navigating the notoriously convoluted, bureaucratic bidding, scheduling, and processing systems involved with government projects.

“The investment in 2003, building out our public works project management team, has positioned us to capitalize on the public work revenue opportunities that are on the horizon for California contractors,” said Bill.

### Building technologies

Another major decision in late 2002 was the approval of a \$4 million investment in a technology overhaul, which included a revolutionary GPS system for Top Grade grading and excavating fleets. Bill noted that the company's inhouse excavation expert, Dennis Batye, initially advised him to incorporate the new technology into how the company built jobs.

With GPS technology, the excavating and grading process becomes much quicker and more efficient. GPS systems in construction equipment indicate precisely where to cut and

place dirt in order to establish the necessary grade, reducing equipment and labor costs. Brian Gates pointed out the company's largest project, a \$120 million waterfront home development project with SunCal Companies in Bethel Island, where only 2 grade checkers were necessary. Without this technology, he estimated that 10 individuals would have been required.



Brian Gates

The technology generates savings, which are then passed on to the customer in the bidding process, enabling Top Grade to secure more projects. Such positive outcomes have gone a





long way in helping employees fully embrace the GPS technology, Brian said. At the same time, Top Grade has watched many of its competitors adapt GPS as well, establishing the company as a pioneer in a sweeping evolution of the industry.

"It's proven to be extremely fruitful," Brian said. "Competitors have started to incorporate it, but we feel pretty good about where we are because we're a few years ahead."

#### **Old-fashioned work ethic**

In the midst of all its recent transitions, Top Grade has been committed to preserving the supportive, cohesive work environment that it has been known for throughout the industry. Often, work crews are treated to lunch, and on one recent project, workers were given a \$50 gift certificate for local restaurants. In another, Top Grade won the safety award for 15 out of the 17

months of the project's duration; each time it won, employees were rewarded with a barbecue lunch.

"There was one 60-year-old gentleman who was working on that project with us and he told me, 'I've never once worked for a contractor who had a steak lunch for us,'" Brian said. "That right there is what I think we're all about."

Top Grade is also all about a good, old-fashioned work ethic. Even with its new initiatives, technologies, and directions, the company lives by the credo of its founder: Whatever It Takes.

"I tell people you want to come to work every day with a little edge, that you have to be a little bit better than you were yesterday," Bill explained. "Every day when I come to the office, I ask myself, 'What can I do today so that I'll be better than yesterday?' And that's a message we send to every employee." ■

—Cameron Virgil



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