

Michael Kennedy Jr. strategizes so his MBE has a place in construction's future

UP with diversity – and vertical integration

By Pat Matreci Mar 1, 2018

When marketplace competition becomes increasingly fierce, smaller companies often are forced out of business. This scenario was particularly true for the construction industry in the mid-2000s. Michael Kennedy Jr., president of KAI Design & Build, knew he needed to rethink his approach in order to gain leverage in this market.

“When the market crashed in 2008, it changed everything in our industry,” Kennedy recalled. “We were in a tough spot to decide whether we continue to do at-risk construction, or we double-down and invest in self-perform in what turned into a hard-bid, buyers’ market that our business model at that time was not as competitive in.”

In 2011, Kennedy founded The UP Companies (UPCO), which has become one of the region’s largest, full-service, minority-owned contractual providers. UPCO combines the skills, talent and resources of two distinct segments of the construction industry – electrical (Power Up Electrical Contractors), and carpentry (Square Up Builders).

Kennedy describes the collaboration between KAI Design & Build, which provides architectural, engineering and general contracting services, and UPCO as the “Zone of Unfair Advantage,” when clients use both companies on a project from initial design through to construction.

“The vertical integration of our family of companies as an MBE enterprise is within the ‘Zone of Unfair Advantage’ that I don’t feel many can touch, when everything is well-executed at the highest level of industry standards,” Kennedy said. “It’s amazing the efficiency you can create when you look at a bid holistically with all services. It can range from 1 percent to 5 percent or more on \$10 million worth of work. That is not small change.”

Several large projects in the St. Louis area bear UPCO’s signature. Power UP and Square UP worked on the 1,200-foot-long, elevated pedestrian skywalk project, completed in March 2017, that linked more than 6,000 parking spaces to the main hospital complex on the BJC HealthCare/Washington University Medical Center campus.

Power UP and Square UP recently completed two luxury apartment projects – Ceylon in Clayton and Citizen Park in St. Louis. Power UP was the design/build electrical contractor on both projects, and Square UP provided finish carpentry services on Citizen Park and framing, finish carpentry and all building exteriors on Ceylon.

This past November, Power Up Electrical Contractors received the Associated General Contractors of Missouri Project of the Year Keystone Award for the electrical and lighting installation work on the \$24 million renovation of Kiener Plaza in downtown St. Louis.

In its first year, UPSCO employed 28 workers and did \$3 million in revenue. Last year, UPSCO's numbers grew to 220 employees – including 75 union apprentices – and \$32.4 million in revenue. UPSCO employs a diverse, skilled union workforce (over 20 percent minority workforce and growing) that consistently meets or exceeds minority participation requirements on projects.

UPSCO also has developed programs to promote diversity in the skilled labor workforce. UPSCO representatives visit local high schools, technical schools, trade schools and universities to recruit minority students for training in the skilled trades. UPSCO also ensures that apprentices find success by providing them with tools and job assignments that are close to public transportation if needed. A union apprentice annually can earn between \$30,000 and \$55,000 plus benefits and overtime pay, while a journeyman or foreman annually can earn up to \$85,000.

“The construction consumer demand for quality, competitive pricing and a diverse workforce is increasing all the time,” Kennedy said. “The industry needs more minority workers, particularly now when more and more baby boomers are retiring.”

And Kennedy knows a business cannot stand idle in order to thrive in the construction industry.

“I designed and built these companies for what the future of construction is going to be, not how it was done in the past,” Kennedy said. “Working on business alignment is a daily focus and clearly a full-time job. Honing and constantly looking for benchmarks in our industry and trying to tune our companies to raise those benchmarks is always important.”

To ensure the company thrives, Kennedy works diligently to remove obstacles from his team and to give them the tools to be successful.

“While my goal wasn't to be the first to do something,” he said, “I damn sure want to be the best to do it.”

For more information about UPSCO, call 314-865-3888 or visit www.theupcompanies.com.