

Focal Point

Minority Contracting



Fred Shaw founded the area's largest minority-owned contractor, and the next generation is poised to build on Shaw-Lundquist's success

Passion for building

BY LIZ WOLF

SPECIAL TO FINANCE AND COMMERCE

Those who know Fred Shaw — co-founder and president of general contracting firm Shaw-Lundquist Associates — aren't surprised that, at age 87, he still comes into the office practically every day.

"He has such passion for his business," said Yvonne Cheung Ho, president and CEO of the Metropolitan Economic Development Association. "He's a very gentle, humble person, but you can see the fire and passion when he talks about his business."

Shaw, who immigrated from China in 1944, has led Shaw-Lundquist for 32 years, landing key construction jobs at the Minneapolis-St. Paul International Airport, Minnesota Zoo, West River Commons, Fort Snelling and Minneapolis Convention Center, to name a few.

Today, Eagan-based Shaw-Lundquist is the largest minority-owned contractor in the Midwest and the largest Asian-owned contractor in the United States. It boasted revenues of \$80.9 million in 2005, marking the most successful year in the company's history.

Shaw's work ethic started in childhood. He was born Feng Hsiao in the east-central city of Xi'an, China, in 1919, and grew up laboring beside his parents and siblings on the family farm. "We knew we had to work — everybody had to work," Shaw said.

The family had little money, but Shaw's parents encouraged their children to pursue an education. In 1942, he graduated with a bachelor's degree in civil engineering from Wuhan University. Times were tumultuous, however. China was at war with Japan, and Shaw experienced firsthand its devastating effects. "There were so many killings," he remembered. "It was a hard time."

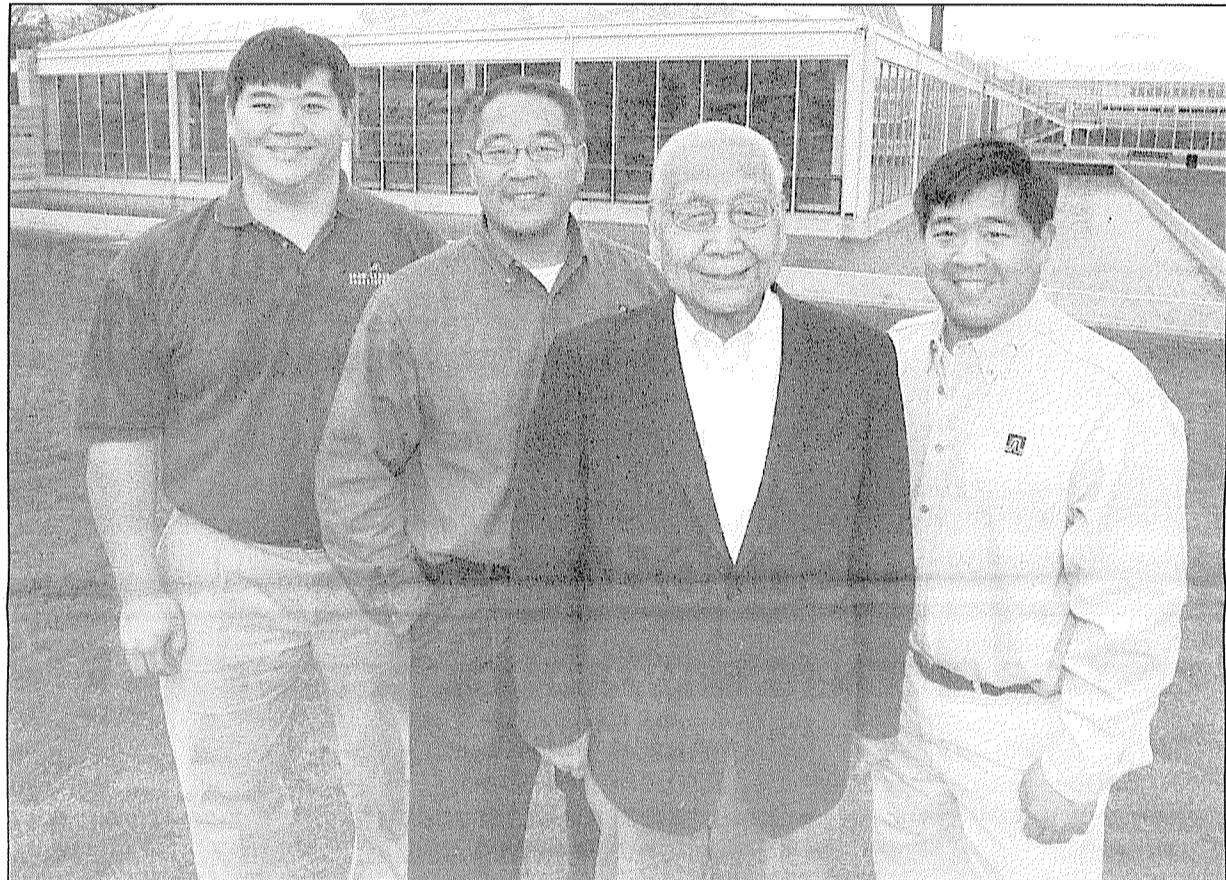
Shaw came to the United States in 1945 to pursue a master's degree in civil engineering at Massachusetts Institute of Technology. He decided to stay in America, and moved to Minnesota in 1947 to study hydraulic engineering at the University of Minnesota, where he earned his Ph.D.

While studying, Shaw took a part-time job as an estimator with Orville E. Madsen & Sons in 1949. There he discovered a knack for estimating — a critical skill in the construction business.

Shaw also changed his name. His boss at Orville Madsen once said to him, "Nobody can pronounce your name. Why don't you change it to Fred Shaw?"

By 1954, Shaw was vice president of Orville Madsen, managing its Minneapolis office. During the next two decades, he helped build the company with Lyle Lundquist, who handled site operations. When Madsen moved to Wisconsin in 1974, Shaw and Lundquist didn't want to relocate, so they launched their own firm.

"We liked each other and trusted each other," Shaw said. "We were good friends. I trusted Lyle's judgment in the field and he trusted me in the office. We never questioned each other. That makes a



Representing two generations of Twin Cities builders, (from left) Holden Hsiao, Howell Hsiao, Fred Shaw and Hoyt Hsiao stand outside the new Visitor Center at Como Park Zoo & Conservatory, which Shaw-Lundquist Associates completed last year. (F&C photo by Bill Klotz)

good partnership."

"In 30 years, we never had an argument," he said.

Although they had a good reputation in the industry and were able to secure credit, "I never really borrowed money," Shaw said, adding that he and Lundquist were conservative and frugal. "When we started we didn't have much money, but we didn't owe anybody any money either."

After landing early jobs at the Minnesota Zoo and Roseville City Hall, "We gradually built the company up," Shaw said. After Lundquist retired in 1983, Shaw assumed sole ownership.

Shaw attributes his company's success to a couple key factors. "Be honest, fair, reliable and treat people right. I never lied to people," he said. Also, careful estimating is crucial. "I never bid a job knowing that it would be lower than our costs," he said.

However, there were challenges, including subcontractor bankruptcies, economic slumps and increased competition. And Shaw will never forget the biggest challenge: a dispute over liability for a financing guarantee. Shaw was asked to be part of a condominium development partnership in the late 1980s. He thought he was guaranteeing part of the loan package, but actually it was all of it. "I didn't know the rules," he said. His company lost in excess of \$500,000 in the dispute and settled out of court. "It was a hard and expensive lesson," Shaw said.

When Shaw-Lundquist was established, it initially bid primarily on government projects. Over time, it shifted to more privately funded developments. The company specializes in educational, medical, multifamily and retail construction.

Now the second generation is carrying on

the company's tradition. Shaw's three sons all work for him. Hoyt Hsiao, 41, is vice president and has guided much of the expansion since coming on board in 1987. Holden Hsiao, 30, is director of information technology and an estimator. Howell Hsiao, 45, is director of marketing and business development. Two of Lundquist's sons also work for the company.

Hoyt is impressed with his father's accomplishments. "He came from China and through hard work and perseverance proves you can accomplish a lot. Some of it's luck and some of it's opportunity, but it comes down to hard work."

Meanwhile, Shaw praises Hoyt's leadership. "Hoyt is good for company development because he has new ideas," he said.

When Holden first starting helping out at Shaw-Lundquist in the late 1980s, Shaw was still using slide rules for estimating. "That was kind of outdated. I said, 'Dad, let's get a spreadsheet up,'" Holden remembered.

Howell, who ran his own business prior to joining Shaw-Lundquist in 2005, is happy to be working with his father. "When I was growing up, I really looked up to my dad. He's my role model. Part of the reason why I was able to go into business was because my dad is an entrepreneur, and I got that spirit from him."

Shaw said he is confident in his sons' abilities and appreciates their different skill sets. "You cannot do everything alike," he said. "It feels good to have them here. I can rely on them and trust them to do a good job."

Shaw also has made his mark in the business community. "What impresses me most is that even though he has a very successful company, he has spent time,

money and energy to help build the National Association of Minority Contractors of Minnesota, an advocacy organization for people of color in the construction business," said Alfred Babington-Johnson, president and CEO of the Stairstep Initiative in Minneapolis.

"He's committed to seeing that others have opportunities — that's one of the things that makes him a hero," Babington-Johnson said.

Shaw was inducted into association of minority contractor's Hall of Fame in 2004, and to the Metropolitan Economic Development Association's Entrepreneurial Hall of Fame in 2005. He's received numerous other recognitions, most recently a Lifetime Achievement Award from the Associated General Contractors of Minnesota.

Hoyt expects revenues between \$60 and \$65 million this year for Shaw-Lundquist. "It will be down from 2005, but we're seeing more opportunities coming," he said, including the possibility of opening an office in Las Vegas.

"We see the opportunity to work with some of the larger casino companies in Las Vegas, which have a strong track record in working with minority contractors," Hoyt said. "We're hoping to participate in some mega projects."

What else does the future hold for Shaw? He's letting health be his guide. "So far, I'm OK. But you never know. I am 87."

For now, "He's a worker. And he's still coming in," said Marlys Genung, Shaw's secretary since 1962. Genung retired six years ago, but still helps out at the office because Shaw values loyalty and treats people well, she said.

"That's why I keep coming back," she said.