Our company is in the strongest financial position it’s ever been in,” says James Rutherford, president of the Rutherford Company, Inc., Los Angeles. This is good news, coming from California, a state seemingly locked into a recession resistant to the recovery that has come to the rest of the United States. “We’ve been through five years of very tough times in Southern California,” Rutherford says. “A lot of contractors went out of business.”

Now, Rutherford says, employment is up and interest rates are down, so building is on an upswing. Rutherford’s business is too. “We’re running 40 to 50 projects,” he says.

Rutherford is used to surviving tough times, ever since he started his business in his garage in 1970. “I struggled for 10 years, trying to make the payroll,” Rutherford says. “But if you work at something, it will come back to you. If you go off and play, or don’t work, you can’t make it. There have been years when a lot of my employees would be making more money than I did. But

By Michael J. Major
when times were tough, I always thought it was more important to pay myself a low salary than to lose the business.”

**MONEY MATTERS**

Rutherford credits his wife Sheila with standing by his side during the hard times. “I had the desire, but she gave me the backing I needed, and lots of support,” Rutherford says. “Most women would say I need that steady paycheck, especially when we had four children at home. She was very supportive during a difficult time. You had to be very dedicated to get a business going.”

For the first five years, Rutherford worked 10 or 12 hours a day, six or seven days a week. Rutherford, now 61, still works hard, 10 or 11 hours a day, but only during weekdays. “I promised my wife that in five years, once the business got set up, I would take the weekends off,” he recalls. “I’ve worked only a few weekends since then, and I’m very glad that I made that decision.”

Having started his business a decade before the free-spending and speculative 1980s, Rutherford has always had a conservative attitude toward money. “You have to have a good relationship with your bank and establish a good line of credit,” he says. “You have to be 100 percent honest and above board all the time.” Now, in fact, Rutherford is bondable up to $15 million. The line of credit, Rutherford says, is important “when we get very busy and the payroll is very high, and we get overextended before we get paid. Then we go to our line of credit, but once we get paid, we pay the bank off.”

Yet that’s basically all Rutherford uses the bank for. Although he moved from his garage to his current facility on an acre of land, he owns the property, and he’s done all the remodeling and extensions in-house, without relying on the bank. Nor has he used the bank for speculative ventures that he hope would pay off. As a result, he’s always maintained a pattern of owing the bank some years, but not others. Most recently, he paid off his loans two years ago, before the upswing began. “We don’t owe the bank any money,” he says.

Another old-fashioned business virtue Rutherford has practiced is saving money in the good times for the inevitable bad times. “I’ve always felt you had to put money in the bank,” he says. “You can’t just blow it when you’ve had a good job. You have to be prudent and put money away for when you might need it.”

**ABOUT THE BUSINESS**

Rutherford’s business is divided into about half lath and plaster and half drywall. He does a lot of work with exterior insulation and finish systems. A big EIFS project was the 350,000-
square-foot Marriott Hotel in Century City, Calif.

In terms of the current controversy about EIFS, Rutherford says, “some manufacturers are selling the product to anybody with a pickup truck, regardless of whether or not he’s qualified, which leaves the rest of us facing the bad publicity. If you have people who are applying the product who are not trained and responsible, then you have a problem. Proper paper must be used behind this system. If EIFS is applied properly, it’s a good system.”

Rutherford also has done a lot of retrofitting over the past couple of years for the cracked steel resulting from the earthquakes. He’s putting in drywall enclosures around these steel columns, with an opening for them to be welded by contractors, then coming back and sealing and fireproofing.

One way Rutherford maintains his expertise in these and other areas is having his crews specialize in different applications, but not to the extent that they can’t do other, more general applications if the need requires.

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Rutherford is currently lath plastering Lynwood High School, the biggest high school in California, on a $5 million-plus contract. He’s also involved in lathing some of the Metro rail tunnels, shooting lath to concrete, then spraying sound insulation over that. The Hard Rock Cafe at Universal Studios is another EIFS job he’s done. And he’s also had lucrative work at Sax 5th Avenue in Beverly Hills and the Disney Studios.

“We do a lot of hospitals, hotels, office buildings, schools, colleges and universities,” Rutherford says. “We don’t do houses, apartments or wood-constructed buildings.”

Rutherford currently has an average of about 150 employees, but that number can run as high as 375 at any given busy time, with an office staff of about 10. In addition to his past performance and the good relationship he’s built with his clients.

“We actually like the jobs in which we
can push the projects,” he explains. “We’ll put on plenty of men or do whatever it takes, for the sooner we get it done the less time we spend on the job and the more money we make.”

Each job is monitored very carefully. “All of the days of a project are broken into floors or quadrants on the computer,” he says. “Every Tuesday we have the printouts in front of us and go through what has to be done. We have good communication channels going from the project manager to the job superintendent to the foreman and back. If you have these weekly meetings, the projects run better. Otherwise, you’re always behind.”

SAFETY AND INSURANCE

Rutherford has struggled, as have others, with the high workers’ compensation rates in California.

“We’ve had guys who have been on the job for two hours, then claimed a back injury and received $100,000; that’s happened twice,” he says. “There’s nothing we could do
about it. We’ve had some claims against us, some legitimate and some fraudulent. At one time attorneys were giving out their cards in employment lines, to inveigle workers to sue their former employers. The law now is being enforced against fraudulent claims, so hopefully things are settling down.”

On the other hand, Rutherford is very focused on job safety. “We have four meetings a year with our foremen and

Jim Rutherford (seated) is flanked by family members in the family business: Standing, from left to right, are sons Brad and Jimmy Rutherford and brother Paul Rutherford.
we dwell deeply into job safety,” Rutherford says. “We’ve published a brochure on job safety and strictly enforce proper clothing such as hard hats, hard-toe shoes and safety goggles.”

“We’re also trying to get the apprenticeship schools and unions to do drug testing, but have not been successful with that yet,” he says.

What Rutherford has been successful with is his yearly bonus program based on both performance and safety. “As a result we’ve been able to save about $250,000 on workers’ compensation,” he says.

Rutherford credits much of his success to his employees, naming especially Mike and Ron Coloumbe, superintendents, and bookkeeper Linda Muro, who’s been there more than 20 years. It’s also a family business, with Rutherford’s brother, Paul, a vice president of customer service, and his two sons, Jimmy and Bradley, as project managers.

Rutherford is a firm believer in customer service. “If you don’t have that, you don’t have a business,” he says. “We do a lot of PR with our good customers. We treat them the way we’d like to be treated.”

Rutherford did $1 million his first year
of business in his garage. Now he does an annual $15 million.

“We’ve found our niche at $15 million,” he says. “That’s the amount we can handle well. If you’re set up to do $15 million well, but the try to do $30 million, that’s when you get into trouble.”

Currently Rutherford is chairman of the Southern California Lathers and AWCI, Rutherford says, “I’ve made many great friends through AWCI. You meet contractors from all over the country and they give you incredible feedback on all kinds of issues. AWCI is a key reason why this business is so rewarding.”

Rutherford has been successful with his yearly bonus program based on both performance and safety; the company has saved about $250,000 on workers’ compensation.

Speaking of his involvement with chairman of the national apprenticeship committee for lathers of AWCI, of which he’s formerly served on the board of directors.

About the Author
Michael J. Major of Port Townsend, Wash., is a free-lance writer for the construction industry.