DON R. RICE:

A Good, Fast Start

He's accustomed to making a break for it, and in California this drywall contractor is making his new business pay off

No doubt about it.
He'd reached the point where he was finally going to do it.
Yet, even for an unreconstructed World War II fighter pilot, the whole thing represented a bit of high flying close to the edge.
At an age when most men start bending toward the conservative and consolidating their gains, California's Don Robert Rice decided to put everything he owned on the line.
In March, 1973—when he was 50 years old—Don walked away from a well-paying job as manager of Specialty Contractors, Inc., in Los Angeles, to start his own drywall business. A journeyman lather, he had been with Specialty for 12 years, first as an estimator and then later as manager, following a nine-year estimating stint with Los Angeles' C. F. Bolster Company.
That he would perhaps ultimately make the break to go on his own, even if it meant leaving a comfortable position and risking everything, came as no special surprise either to his family or to his close business associates. They knew of his yen—and of his abilities.

About a year and a half before the end of World War II he was shot down over Germany. The crash awarded him a broken leg. When his captors placed him in a fourth floor hospital bed, Don broke out in the middle of a blackout and climbed aboard the first train going his way.
The American pilot with a broken leg was a standout with the morning light. In the dark, he'd apparently boarded a German troop train.
The "old home week" atmosphere of the POW camp was more congenial. He joined two old high school buddies, his commanding officer, 16 fliers with whom he'd trained, and another 16 from his outfit. Still, just before the end, he took part in a mass breakout, making it this time. He bicycled back to the American lines, overcoming problems as he pedaled along.
Throughout the past three years, the problems he anticipated in setting up a one-man operation have arrived in abundance. He's conquered them, too.
At the same time, the objectives he established have also arrived;
Today—coming out of the worst business recession since 1930—his company, Rice Drywall, Inc. is in the $500,000 annual volume category and building steadily.
A new subsidiary company he set up in April, 1975, to specialize in tenant completion work is making a growing contribution to the operation. The subsidiary is headed by Don Thayer, a general contractor by trade, and both men are looking for a $300,000 a year gross before they start making new plans.
Despite the fact that the past two years have been questionable years to be in the construction business let alone start up a new firm, Don's managerial skills have enabled his company to grow while maintaining the necessary cash flow.
Two years ago, he moved from the City of Commerce where he first commenced operations to his present headquarters, an attractive one-story stucco building in South El Monte. In addition to the sorely needed 2,000 square feet of office space, the new property also afforded plenty of storage space for equipment and materials.
There, with the help of his office manager, Mrs. Sue Bruey, who is a vivacious blend of administrative and public relations skills, Don puts in the 10-14 hour days that his growing business demands. His desk is layered with notes, memos, plans, and the paper stacks so representative of a one-man operation. The telephone rings constantly.
But Don Rice will have it no other way. He set out to build a successful drywall business in the industrial-commercial markets of Los Angeles and that is precisely what is happening.
A native of Omaha, he moved to California as a young boy and lives today in San Gabriel with his wife, the former Olive Cothran, of Pueblo, Colo., who also moved to California in her early years. Don and Olive are the parents of a son, James, and a daughter, Caren. There is one granddaughter, Kimberly.
While in high school and junior college in Pasadena, Don was active in gymnastics, specializing on
the high bars and the parallel bars. In 1942 he entered the Air Force and flew as a P-51 fighter pilot with the 8th Air Force. He later flew with the Air National Guard.

Discharged in 1945, Don saw plastics as the wave of the future but with the help of “Bus” Ratliff, Bolster Vice President and former President of the international association of Wall and Ceiling Contractors got into the construction industry as an apprentice lather.

Don, who holds general contractor and specialty contracting licenses, is a member of the iaWCC and of the Southern California Drywall Contractors Association, the California Drywall Contractors Association, and the Gypsum Drywall Contractors International.

When CONSTRUCTION DIMENSIONS arrived to talk to him, Don has just returned from a job visit, his desk contained a stack of “please call” messages, the telephone was ringing, and a set of plans were in need of review. So, everything being normal, Don talked about his business, where it and the industry are headed.

DIMENSIONS: Don, what was it that led you to take the step into a business of your own?
RICE: It really wasn’t anything earthshaking when you stop to think about it. Most people talk about doing it and I’m no different than anyone else. I just figured that I’m 50 years old and if I’m ever going to do it, it has to be right now—or forget about it.

DIMENSIONS: Many new contracting firms break in by going after the residential market. You started right into the industrial-commercial sector, didn’t you?
RICE: Yes. I’m strictly drywall and strictly industrial-commercial. That’s my specialty; I know this end of the business so it was natural. Specialty Contractors Inc. was started by my father, Clyde Rice, along with Bob Pierce, of Los Angeles, and two others.

During the war the company built barracks. But what a lot of people don’t know is that Specialty Contractors really started commercial drywall on steel framing in the United States. They started steel studs with general contractors, and originated the nailable steel stud concept.

My 12 years there gave me a good insight into this business and I was familiar with the estimating and getting the jobs. That was old hat to me, so it’s not surprising that my company’s first job was a Santa Monica hospital for metal studs and drywall.

DIMENSIONS: How did you find the transition from a going company to your own one-man operation?
RICE: Well, like any other one-man operation, I’m it. I do the purchasing, inventory, job control, collections, promotion, and the rest.

I went into this—knowingly—with little or no field supervisory experience so I had to learn it. You learn it by going out and doing it. But when you’re the only one, it all comes to you. I’m real busy right now so when I’m supervising in the field my estimating suffers—and vice versa. I do have a part time superintendent who helps out during very busy times.

DIMENSIONS: Do you see yourself continuing as you are now?
RICE: I’m really at the crossroad point right now where I’ll either have to get larger or stay within my present scope of around $500,000. In the next six months to a year I’ll have to make that decision.

DIMENSIONS: What do you see as your major obstacles should the decision be to grow bigger?
RICE: Oh, that’s easy. Money! Isn’t that what it usually is? I’d have to increase my overhead—and that means that the volume would have to increase to pay for it with a drain on cash flow until I could get the volume up to the profit point.

DIMENSIONS: It sounds as though you are in no big hurry to make a commitment in that area?
RICE: Actually, I’m not in a hurry. I’m enjoying right now what I’m doing because I can see a job from inception to completion. And—knock on wood—I’ve had very few losers so far. I haven’t had to borrow from anyone other than myself.

I’ve established credit from the banks. I’ve discounted every bill so far. If I need some material I have no problem with credit. When I opened for business, one supplier

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told me, 'Don, your credit is good.' These are the kind of business relations I intend to keep.

DIMENSIONS: Have collections been a problem to you as they have been for many contractors?
RICE: In all honesty, I’ve had so little trouble with collections that it has not been a problem so far. The best collection policy is an honest general contractor and I know the solid GCs in this area. Also, I’m very selective about those to whom I’ll bid. Most of my collections are by telephone call and I wait 60 days before I get concerned.

DIMENSIONS: In any new business starting out, cash flow is a critical item. Have retainages hampered you?
RICE: The first job I mentioned—the hospital job—was $400,000 and the 10 percent retention did hurt. The money was tied up for a year and I had to borrow.

Still, though, in fairness to the owners, I’d say retainages are fair providing they don’t hold them up for an unreasonable length of time. But they want what they paid for, and once some people get their money you simply can’t get them back on the job. It’s a two-way street, you know.

DIMENSIONS: California’s construction industry has suffered along with the rest of the country during this recession. How have you managed to obtain work?
RICE: It’s true that jobs have recently been tougher to get. But most of my work is negotiated with general contractors who know and demand the kind of service they know they’ll get from me.

Also, when it’s slow, I’ll stop in the general contractor’s office and look for work. I’m a strong believer in personal contacts. It’s very important—especially on follow-up. Then, too, we have the green sheet and we get telephone requests.

DIMENSIONS: Don, where do you see the markets of the immediate future and perhaps a few years away yet?
RICE: In the immediate future, I believe remodeling has great potential. There are few big jobs such as public buildings coming up and that condition is here to stay for awhile. Most of the jobs, I think, will be in the small categories and I’m geared for that.

The dollar volume is not all that great in remodeling and additions but I think it will be a good market for contractors, such as myself, who are operating in that level.

DIMENSIONS: And what about markets a few years off?
RICE: It’s a bit early for the construction industry but solar energy has to be where the potential is. There’s still much research and development that needs to be done but I see solar energy markets as an extension of the wall and ceiling business.

DIMENSIONS: This undoubtedly would involve some serious diversification planning on the part of wall and ceiling contractors. How valuable do you think diversification is for the average contractor?
RICE: I think it’s the only way to go. If you don’t have a good year in one line, hopefully you’ll have another line that will pick you up. As for a one-man operation specializing in drywall as I do—or, specializing in any one line for that matter—I’d be kidding myself if I didn’t recognize the dangers.

But the danger is only partial. It’s true that many general contractors want their jobs packaged, but there’s still enough work here for me for another five years at least. In a metropolitan area such as Los Angeles, a one-man or one-service contractor can survive because the volume of available work will allow it. In a small market area, your own limited scope could be more trouble.

DIMENSIONS: Was diversification involved in your decision to open a tenant completion company?
RICE: That would have to be more in the nature of market response than diversification. It’s a market that looks promising and, in our case, has already exceeded expectations. Thayer is a good salesman; he was experienced, available, and knew where he could get interior completion work.

It includes an application of drywall and fits in nicely with our business.

But things happen fast in this industry. Frankly, I’m looking now for a substitute for drywall.

Drywall, to a great extent, has replaced lathing and plastering on
the basis of cost. Now, demountable partitions are an outgrowth of the drywall transition. They have the great advantage of being listed by IRS as fixtures and thus give the owner a tax write-off opportunity as well as being salvageable and cheaper to move than traditional partitions.

But other changes will come. You can be sure of that.

**DIMENSIONS:** With so many changes on the horizon and an industry that is still badly depressed, where do you see the major problems confronting contractors?

**RICE:** The biggest problem ahead is the cost of labor. This industry, whether it’ll admit it or not, is still labor intensive and you simply cannot project the costs of labor on a long term. Materials have risen but, except on a few occasions, have held a reasonably predictable line on costs.

**DIMENSIONS:** Don, you have been active in association affairs from the beginning of your own business. What advantages do you see in a contractor belonging to his association?

**RICE:** Basically, I’m not a joiner, but you have to have information to survive—that’s reliable information—and associations are the best way to get it. I needed to find out what the industry is all about.

There is a lot of information and talent in this industry and through an association is virtually free for the asking.