**The Key is Efficiency**

**Maryland’s Doug Thomas Has Built a Successful Company by Striving Constantly For Greater Efficiency**

Had the legal profession been able to adjust its traditions a bit, it might have had Maryland’s Doug Thomas as a striving, underpaid counselor rather than catapulting him into a successful, wide-ranging contraction career.

Back in 1969 and fresh out of the university of Maryland law school, the Birmingham-born Thomas was ready to parlay a family tradition of building trades, a personal history of executive level exposure in walls and ceilings, and a budding career of outstanding achievements into a law office career.

The prestigious Washington, D.C., law firm was interested. They had him in for four interviews; they were ready to offer him a top position from a recruiting batch of 20 others who had also passed their bar exams.

Then Thomas, who had worked his way from junior estimator to Executive Vice President of Washington area contractor, Kidwell & Kidwell, got some inside information on what starting lawyers get paid and—more importantly—what salary offer the famous firm was about to make to him.

Douglas R. Thomas—a firm believer in flexibility in a situation—did what he felt he should do: he went home and opened up his own business in the wall and ceiling industry.

In retrospect, the starting pay for this venture was considerably less than a starting lawyer’s salary. A cash fund of $2,500, a van truck, and a house headquarters with expansion room in the garage represented the principle assets.

The biggest asset was Doug Thomas . . . at least his confidence. He pegged his volume at $300,000 the first year and set out on that commercial trek with a first job of $250 for an acoustical ceiling. For the year, he hit $275,000.

Today, less than 10 years later, D. R. Thomas, Inc. is a $6 million-a-year fully diversified wall and ceiling systems construction firm with a sprawling one-story combination headquarters-warehouse facility in an industrial park near Baltimore’s Friendship Airport.

As for his legal background, it serves Doug well in his own business and he is affiliated with a prestigious law firm as well—Shipley, Knight, Manzi & Zanecki, of Upper Marlboro, Md. “I’m really more of a legal consultant and advisor on construction matters so there is a mutual advantage available,” he says.

Son of Clyde Thomas and Thelma Easter Thomas, both of Suitland, Md., Doug traveled dur-
ing World War II wherever his father’s union carpenter trade took them, mostly West Coast shipyards. At war’s end, the Thomas family came to the Washington, D.C. area where Clyde worked as a remodeling contractor until his retirement.

Doug graduated from the District’s Eastern High School where he was quarterback of the school football team and a centerfielder on the baseball team. Later at Montgomery College, a suburban two-year college, he won Little All American honors as a quarterback, played baseball and boxed in the intra-mural competitions.

Given a football scholarship to Murray State, near Paducah, KY., Doug put in only a few weeks of spring training before enlisting in the U.S. Army. Assigned to Army intelligence Doug and his wife, the former Judith Ann Hubshman, of Scranton, Pa., moved to Oregon where they spent most of the next three years.

While involved in general investigatory work for the Army, Doug also managed to graduate from the University of Oregon. Upon his discharge, he answered a newspaper advertisement and landed a junior estimating job with Kidwell & Kidwell.

Working days and attending law school at night gave him a law degree in four more years. By 1969 when he finally had passed the Maryland bar exam, he was Executive Vice President of Kidwell.

But determined to strike his own course, he parted amicably with Kidwell and started his own merit shop business. It’s been solid, spectacular growth ever since with current capabilities in drywall, lath and plaster, fireproofing, acousticals, demountables, special exteriors and curtain wall, insulation, steel framing, and prefabricating.

A member of iAWCC/GDCI, Doug is a co-chairman of the Open Shop Committee, and is also a member of CISCA, Associated Builders and Contractors, and the Prince Georges Kiwanis. He coaches football for a private school, the Riverdale Baptist High School.

Making their home in Laurel, Md., Doug and his wife are the parents of two daughters: Alicia, 16, and Andrea, 11.

CONSTRUCTION DIMENSIONS:
Doug, I notice that the word “efficiency” occupies a rather high priority in your business vocabulary. It keeps popping up; is this a kind of “mental set” with you?

THOMAS: I suppose so. You must have a priority about management because you should constantly be trying to hone down your operations to make them efficient and flexible enough to take advantage of opportunity.

You can never have the level of efficiency that you want—but you should constantly strive for it. I am not now—or will I ever be—satisfied with our operations. Change is constant so management improvement must be, too.

CONSTRUCTION DIMENSIONS:
Right to manage is a big argument between merit shop and union shop contractors. Was efficiency topmost in mind when you started in business and could this be the reason you went open shop?

THOMAS: I went open shop because I just happened to come up with business that way. There really was no conscious choice on my part; I had my contacts and contracts with open shop people that I knew so it was natural that I would follow that course.

CONSTRUCTION DIMENSIONS: But the so-called right to management argument has not been lost on you, has it?

THOMAS: I am aware of the differences. I wouldn’t appreciate a business agent or a local coming in and telling me how I must conduct my business or do certain things. You can’t—and I don’t wish to—run roughshod over people, of course, but a merit shop operator can make better advantage of skills and manpower available.

CONSTRUCTION DIMENSIONS: It is claimed that the one great advantage the union contractor has over a non-union operator is the reservoir of trained manpower, his ability to expand and contract his workforce quickly?

THOMAS: Admittedly, the biggest hurdle for the merit shop contractor is manpower utilization. Merit shop contractors are forced to build to a “continuity.” That means they must build to a condition where a new job won’t be a crisis to them. They must be able to accommodate themselves to new manpower demands, so they can “borrow” Continued on page 36
mechanics from one job until another job finishes and frees up people for new assignments.

And we have on the job training—our people are learning all phases of the construction craft. They are not being restricted to one craft which creates the basis for jurisdictional squabbles. We don’t have jurisdictional problems and work restrictions.

**CONSTRUCTION DIMENSIONS:**
You mentioned a few moments ago that you are experiencing a shift from new work to rehabilitation work. Is there a major difference between the two types?

**THOMAS:** Absolutely, they’re entirely different animals. You use a blueprint approach on new work: you rely on specifications. In rehab work, you simply must walk the job because there are so many contingencies such as patching, moving things around, filling in holes, that sort of thing.

There’s no job to walk with new work, but with rehab work your estimate is based on visual sight, on what you know about construction, what needs to be done, and how it will be done. You need a construction expert on rehab work and even then you look at the bottom lines and add something for contingencies.

**CONSTRUCTION DIMENSIONS:**
With the energy thing and all do you see retrofit expanding as a market?

**THOMAS:** I think we’ll be seeing a decided increase in retrofit work . . . and this will take up the slack for the slight decrease in new work. Right now, half of my volume is retrofit and I expect the percentage to increase.

**CONSTRUCTION DIMENSIONS:**
With that many contingencies, it would pay to have a good contract, wouldn’t it? And has your legal background served you here?

**THOMAS:** To both questions the answer must be yes. As a matter of fact, I’ve put together a lot of clauses that I always want added to any contract we sign. These are such gray areas as payment, ability to terminate for non-payment (“You know, legally, we don’t have the right to do that.”), obligations of the general contractor to provide a safe working environment . . . those sort of things.

I sometimes get a contract back with a few of these pet clauses of mine penciled out, but it’s surprising how many times I get no argument at all.

**CONSTRUCTION DIMENSIONS:**
Cash? No job’s done until the money is in your hands. How do you handle this hurdle?

**THOMAS:** Yes. We own an IBM 32 computer. It’s programmed to carry out the usual housekeeping chores—payrolls, accounts receivables, and similar bookkeeping needs.

Our Executive Vice President John Rasnic is also an experienced systems analyst, so we have additional, more sophisticated programs for on-line inventory, material and labor breakdowns. In brief, these programs are all capable of red flagging conditions that need immediate management attention.

**CONSTRUCTION DIMENSIONS:**
Cash? No job’s done until the money is in your hands. How do you handle this hurdle?

**THOMAS:** We have a very aggressive collection policy. We have a
fulltime girl telephoning constantly on all receivables. We bill 40 jobs a month plus 20 miscellaneous bills. Early each month, she will call each one, verify the amount of our requisition and learn of any variance or difficulty. She also obtains the approximate date that we can expect payment.

All of this information is maintained on a week-to-week basis and we plug in the expected requisition amounts along with the dates we expect to receive it, plus additional comments. This way, we can determine on any given date how much we expect to receive, when we expect to receive it, and any payment problems that might exist.

CONSTRUCTION DIMENSIONS: That certainly helps with cash flow planning, doesn’t it?

THOMAS: Yes, we simply had to become more efficient in our collections and in our cash flow analysis. A year ago we found we didn’t have a good enough handle on our cash flow situation because it could fluctuate 15% to 20% from our requisitioned amounts.

A cash flow analysis is only good for the period you designate. So, rather than wait until the end of a cash period, we set out to get our answer earlier. Now we do; it’s much more efficient because our count is more accurate and predictable.

CONSTRUCTION DIMENSIONS: How have your customers reacted to this aggressiveness?

THOMAS: I frankly worried a bit when we installed this kind of system, but the GCs like and respect us for our business-like approach. They don’t like surprises either.

CONSTRUCTION DIMENSIONS: Have you found the money crunch to have any impact on your business?

THOMAS: Yes, and so has every other contractor. For subs, it’s an “accordion syndrome.” Manufacturers and suppliers are tightening up their credit operations which forces us to pay more and quicker. The push from the other side is that customers are slower and shorter to pay us . . . that is, they analyze our requisitions more, inhibit front ending, that sort of thing.

The sub is simply caught in the middle. The money problem is more precarious today, I think, than it’s ever been.

CONSTRUCTION DIMENSIONS: Speaking as both a lawyer and contractor, what is the best alternative to a constructor when he gets into a money crunch?

THOMAS: Communications has to be the only possible answer. When you get into a bind, get on the telephone and work it out with your supplier, communicate with him. He doesn’t like surprises either—and he’ll work to help you.

The last thing you want to do is be secretive about it.

CONSTRUCTION DIMENSIONS: Doug, where do you see some of the major problems developing in the next 2-3 years?

THOMAS: They’d have to be the standard problems-changing technology, changing markets, inflation, new techniques. That, plus the need for wall and ceiling contractors to become more efficient, to structure their companies so they can be flexible enough to accommodate themselves to new opportunities.

CONSTRUCTION DIMENSIONS: —and delays. Isn’t that getting to be much more of a problem today, especially with such management innovations as Construction Management, fast tracking, accelerated schedules, etc.?

THOMAS: As subs, we’ve traditionally tended to ignore delays. Today, we can’t do this. Time is money, and you can no longer bid a job to be done in ’79 and perform the job in ’80 and expect to show a profit.

Let’s take CM—or Construction Management—as an example. With CM there are many gray areas where the sub can get lost. Also, many contracts are pre-let and they often aren’t part of the CM’s responsibility. This causes delays.

And CMs represent the owner, don’t forget that. The old GC would go to bat for you, he’d bend a little because he knew the construction process. The CM tends to interpret the contract more literally. And you

Continued on next page
THOMAS
get delays—and you’d better know how to handle them.

CONSTRUCTION DIMENSIONS:
What’s the D.R. Thomas approach?

THOMAS: We regard delays as so important that we’ve established company policy and procedures in writing so there can be no mishaps. There are three things about delays that prompts this kind of attention: first) they’re more important now because costs are so high; second) they’re being compounded by CM and associated pre-let contracts which effect the sub’s work, and third) they are usually more complex, longer, and costlier than they’ve ever been.

CONSTRUCTION DIMENSIONS:
Briefly, what is your program on delays? That is, how should a subcontractor set himself up to handle the problem?

THOMAS: The most efficient way is:
—know—or obtain as soon as possible—your own work schedule and the GC’s work schedule
—do what’s required of the work and perform it on time, and make sure time problems aren’t developing through any fault of your own
—as soon as there’s a delay, notify IN WRITING the GC or the CM (“Get it on the record NOW.”) and request an explanation
—if the situation can’t be corrected and cost increases are unavoidable, and can be substantiated, get to your attorney fast.

CONSTRUCTION DIMENSIONS:
How about the contract itself?

THOMAS: That goes without saying. You should check the specs on the job in relation to delay claims and adhere to those provisions. The administration of delays generally involves time restrictions and formal procedures which must be followed or the claim may be disallowed.

And then have good documentation. Delay claims are only as good as the documentation or backup.

As I said, we’ve developed an in-house checklist on filling out delay claims. That’s how important the matter is to us.

CONSTRUCTION DIMENSIONS:
What are the priorities for your company in the immediate future, Doug?

THOMAS: Well, we’ve reached the saturation level—so far as we want—in diversification. It’s now a matter of honing down, becoming more efficient. Quantity doesn’t equal quality; volume doesn’t equal profit.

So it’s a matter now of consolidating our gains, becoming flexible enough to move toward opportunities, and keeping pace with change. The 80s holds a new growth period for us and we want to take maximum advantage of it.

CONSTRUCTION DIMENSIONS:
That would be the most efficient approach, wouldn’t it?

THOMAS: Yes, that would be efficient. I like that description.