

Doing It Their Way

In Hawaii, the Sueda Brothers Have Built a Successful Business By Forging Their Individual Strengths in a Unique Approach

(In an age when most of the world's business managers are looking to ward Japan to find the magic of managing productivity, a trio of Japanese-American brothers is proving that in the wall and ceiling industry the homegrown executive isn't doing so badly.)

The three brothers are John, Robert and Francis Sueda who have taken their 12-year-old company from the starting place of zero base budgeting to \$3,000,000-a-year status, diversifying as they went along. Their firm, J.M. Sueda, Inc. is located in an attractive two-story office-warehouse complex in Pearl City, Hawaii, and is a respected specialty contractor in lath and plaster, drywall, demountable partitions, steel framing, Dryvit, insulation and acousticals.

Besides the contracting business they also own and operate the Clover Investment Corporation which serves as a distributor for Dryvit, Thermo-Con, Gold Bond products, equipment leasing and sales.

Each of the brothers brings a distinctive capability to the company and

operates almost exclusively within his own management speciality. John, who is President, was a lumber company salesman and later a partner in a drywall company. He handles sales, negotiations, estimating, pricing, and all promotional efforts.

Robert, the Vice President and Secretary, was for a long time a partner in a finance company so he takes responsibility for the financial end of the business, i.e., banking, bonding, receivables, billing, projections and credit lines.

Francis, the General Superintendent, is responsible for the outside, supervising all work and construction.

What makes their company work—and also makes the management philosophy so unique—is the manner of operation. None of the brothers has or wants his own office. The company operates from one single headquarters room which the three men share with their office manager, Florence Sensui.

Into this single nerve-center room come and exit all business dealings with Sueda, Inc., and each of the brothers—within earshot of one an-

other—is immediately and intimately familiar with what the others are doing. There are no secrets among the brothers—and none wanted—in an approach that all three frankly admits springs from their father's teachings.

Their father, Shikaichi, and mother, Tsuyako, live in Honolulu.

As successful as their own business is, the Sueda firm is active in industry and association affairs. The company has been a longtime member of AWCI and Robert is currently President of the Pacific Bureau of Lath & Plaster, and treasurer of the Gypsum Drywall Contractors of Hawaii.

Sueda, Inc. is also a member of the Construction Industry Legislative Organization, the Chamber of Commerce, Independent Businessmen, National Association of Home Builders, and the International Foundation of Employer Benefits Plan.)

DIMENSIONS: The philosophy that the president of this company has a desk—and not an office—is inter-

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Robert Sueda's background has been in finance and he takes responsibility for the Sueda company's bonding, banking and accounting functions. He calls on accounts personally.



Francis Sueda is the company general superintendent and he functions as the liaison between headquarters and the field. He can reel off personal knowledge of every taper in the Islands.

“This industry is one of specialties and the cost of labor is continually increasing. You need to get into these other specialties (diversification) in order to best utilize all of your manpower—and you can only reduce labor costs by using it efficiently.”

THE SUEDA BROTHERS

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esting. Can you explain that approach a bit more?

JOHN SUEDA: It was a deliberate decision and reflects what each of us believes: there are no secrets between us.

I don't want to overdo this attitude of ours, but it really does flow from

our father. He was firm in his belief that as brothers we have a unique relationship with each other and that each of us should develop his own strength and capabilities to the maximum.

Then we could pull them together—each contributing his own skills and talents but unifying our contributions as a single entity. As brothers we have a great strength—and there are sim-

ply no secrets between us. We just don't have communications problems.

ROBERT SUEDA: Each of us serves a critical role to the success of our company. Because of this large responsibility, it's essential that we know what the other is doing.

We can hear each other on the telephone . . . we can talk directly with one another without leaving our desk . . . we each have a feel for the pulse—and that's good for any company.

DIMENSIONS: **So you approach it democratically and keep on maximum control?**

JOHN SUEDA: Yes and no on democracy here. What we have here is equality among brothers, but we haven't made the mistake of leaving a company where someone can't make the ultimate decision. This 50/50 control idea is no good because then no one can make the final decision—and that can ruin a company.

FRANCIS SUEDA: You know, there's nothing inherently mysterious about construction. It's really a business of fundamentals. You get in trouble when you forget or overlook the fundamentals.

When a problem starts developing—and there is little justification for a problem sneaking up on you—then you get to it early. You do what needs to be done—and you do it immediately. If that means walking the job or talking to people, then do it. But mainly you find out what the problem is and start applying the remedy.

DIMENSIONS: **With the economy depressed the way it is, I should suspect that you have your share of problems these days. What are you doing to cope with the interest rate, with inflation, and with money problems in general?**

ROBERT SUEDA: The essential thing right now is to keep a good cash position. As one example, we order for a job these days and have it sent directly to the job site, thus saving the cost of handling. It might cost us a bit more directly, but indirectly it costs us less.

JOHN SUEDA: A year and a half ago, we started cutting back on our warehouse inventory. We had been carrying about \$130,000 worth of materials, and we've succeeded in getting it down to a \$40-\$50,000 level. An inventory difference like that can conserve a lot of dollars.

DIMENSIONS: What is your opinion on interest rates? Will they in your opinion, be coming down . . . and will there be any financing alternatives that will open up the construction market?

ROBERT SUEDA: I really think the fixed interest rate is a thing of the past. Banks were burned the last time and they're more likely to go for floating or variable interest rates.

JOHN SUEDA: People are accustomed to the higher interest rate these days. The shock has worn off, so there's a good chance that we'll be living with high interest rates for the foreseeable future. Now that current rate levels are digested, I think you'll see things picking up in early '83.

Some of the lenders and builders here are getting an early start on a predicted pickup. They're going ahead so they'll be in the best position when things crank up—



Reflecting a philosophy instilled by their father, the Sueda brothers have no secrets from each other and merged their individual talents into a single entity with unusual success.

DIMENSIONS: —and if things don't crank up as expected?

JOHN SUEDA: . . . well, then they'll have to pay for their decision.

FRANCIS SUEDA: Floating interest rates may be the answer, but there's the additional problem of qualifying. Look at it this way, some 50% of construction workers in Hawaii are now unemployed. How will they ever qualify for a loan?

DIMENSIONS: Would these be the trying times that finds a diversified

contractor in a stronger position than, say, a one-service type contractor?

JOHN SUEDA: I'm not all that certain that any contractor has a big jump on his competitors these days.

But we believe that diversification is the only sensible route. You can package many of your bids and customers do like the idea that one company can handle a number of tasks.

ROBERT SUEDA: This industry is one of specialties and the cost of labor is continually increasing. You need to

get into these other specialties in order to best utilize all of your manpower—and you can only reduce labor costs by using it efficiently.

DIMENSIONS: How about traveling? I should imagine there are plenty of opportunities to travel among the Islands?

JOHN SUEDA: We'll go where the work is. When we do go to one of the other islands we try to hire local. But if it doesn't work out, we go with our own crews. For all practical purposes, it usually works out on a split crew basis.

FRANCIS SUEDA: For us it's not all that difficult to control. There are 200 tapers in the Hawaiian Islands—and I know each one of them.

DIMENSIONS: How about managing your account receivables? You've indicated that slow pay is your major problem—which is considerably more attractive than no pay?

ROBERT SUEDA: You're right, we do expect to get paid and have been successful in achieving our expectations.

But getting paid is a matter of common sense, too. It makes sense to let your customers know that you expect to be paid. Customers are not the least bit reluctant to let you know what they want—and you as the contractor have a responsibility to let the customer know what you want. Communications and payment are two-way streets.

DIMENSIONS: How do you keep them paying?

ROBERT SUEDA: By staying on top of the situation. I call on outstanding accounts personally and our office manager, Florence, calls also. Much of the time our efforts depend on the situation. We try to remain as flexible—but as firm as necessary. The old cliché “you gotta use common sense” is as valid today as it was when money was cheap.

DIMENSIONS: How about extras?

FRANCIS SUEDA: —authorized in writing or verbally?

DIMENSIONS: Is there that much of a difference?

FRANCIS SUEDA: It's the difference between getting paid or not. When you run into a situation such as you mentioned a moment ago where the wall is seriously out of alignment—not even close to the specs—and you're supposed to plaster it, then you have no choice. That's the situation as it stands.

But you do have a choice on how you proceed. And the right way to proceed is to get a meeting together real quick and get in writing what needs to be done.

DIMENSIONS: How about retainages? Have there been any inroads made with this problem in Hawaii? Except for the federal government, the local practices are just that—local.

JOHN SUEDA: Maybe 10 or 15 years ago, things were a lot simpler. You did your work, it was signed off—and you got paid. Today, you can wait three or four months. With money costing at least 1½% a month, a retention can be mighty expensive—so there's less justification for it today than there ever was.

DIMENSIONS: But haven't some of the federal agencies taken the lead in this area—and isn't it benefiting contractor and customer alike?

JOHN SUEDA: In some cases I suppose you really do need retention to get a contractor back on the job to finish up. Not in our case, though, because we value our reputation too highly.

But a general contractor can sit on payments to all subcontractors be-

cause one sub is having a problem. It's in the general contractor's interest to hold up our money: it's pure profit for him . . . and a loss for us.

ROBERT SUEDA: I don't think any specialty contractor disagrees with John. The maximum should be 5% regardless—with a restriction on holding up the monies for all subs.

FRANCIS SUEDA: Sometimes I think the money should go into an escrow account toward the end of the job. That would remove the incentive for someone to sit on the money.

DIMENSIONS: It's been said that if the economy doesn't pick up in the next 6 months, construction will move into a retrofit or modernization emphasis. Do you go along with this?

JOHN SUEDA: We like to think so. That's why we diversified, so we could have the flexibility that comes with offering more than one service.

DIMENSIONS: How about demountable partitions? Is this a good product for tough, expensive times?

ROBERT SUEDA: When money is tight or expensive, it's better to have an easily moved wall than one that is permanent.

What makes demountables such an

attractive option is the fact that office work can go on uninterrupted while partitions are being moved and changed.

FRANCIS SUEDA: Plus you have the callback advantage. Once you put in a demountable partition system, you have a lock on that job. When the customer wants a change you get the call. It's a good business.

DIMENSIONS: —more complex than in the past, isn't it, John?

JOHN SUEDA: When we started out we had a truck and a spray machine and \$15,000—and a customer who was willing to help a brand new company. Now we have a headquarters complex, inventory, a changed economy—and the business is still a good one, complex or not.