The Advantages of Not Looking Back

Tennessee Contractor Jere F. Luckey Keeps a Lifelong Ambition Intact as His Company Continues to Prosper

What he didn’t ever want was to look back on his life and feel any regrets about what he had or hadn’t done.

That’s why Jere F. Luckey, II-year-old President and founder of Southeastern Drywall, Inc., of Nashville, TN, started up his own drywall construction company in 1977.

He’d thought about it prior to that, of course. As a matter of fact his entire construction career had been formulated to spring him loose with his own firm, starting with steel tying and ditch digging summer jobs as a M-year-old. The motivation to build a profitable business really came from his father, the late Fred Luckey, a farmer-building construction supervisor-architectural inspector, and later, a small contractor.

After listening to his father express later year regrets for not having made the plunge into his own business, Jere Luckey vowed he’d not make the same mistake. So, following graduation from his home town Humboldt High School, Jere obtained an industrial management degree in 1965 from Tennessee Technological University.

He went to work for DuPont’s construction division as a safety engineer immediately. Following six months in the military service, he hired out as an estimator for Drywall, Inc. Later jobs with Sharondale Constructions, of Nashville, and Roberts Construction, both as project managers, took him up to 1977.

That year, with $5,000 capital and shared office space with a friend, he launched Southeastern Drywall. It took months to land his first significant job but he finally managed to get a few thousand ahead of his costs. A $95,000 Harvey’s job provided a vital time cushion—and he was on his way.

Today, Southeastern Drywall is a still-growing, $3,000,000-a-year, industrial-commercial company, headquartered in an attractive, sprawling, one-story office-warehouse complex in an industrial park near downtown Nashville.

Married to the former Carol Johnson, of Rock Island, TN, Jere is the father of two children: David, 14, and Beth, 12.

DIMENSIONS: Jere, starting a drywall company with only $5,000 is a pretty shaky proposition . . . especially as late as 1977. Were there some interesting moments in the start-up?

LUCKEY: The $5,000 wasn’t my only asset. I had a telephone—and no self-doubt—and I started with help and good relations with my banker.

DIMENSIONS: It’s not always that easy to get a line of credit on a new business, is it?

LUCKEY: Usually it isn’t. But I was a known quality to my banker from the start and my line of credit has since improved steadily. They know my attitude on money and the way it should be managed.

DIMENSIONS: How should it be managed? The room for error is a little less these days, isn’t it?

LUCKEY: I should say it is. Money management is just as important as accurate estimating these days. Inflation—plus the emphasis on sound money handling—has seen to that.

Unless he’s well capitalized, a contractor simply must have access to the banks and a line of credit. That creates flexibility in making decisions.

DIMENSIONS: Many more contractors today are going for the over-
“Money management is just as important as accurate estimating these days. Inflation—plus the emphasis on sound money handling—has seen to that.”

night deposit. They’re making their cash work harder, stressing the cash flow—and the delays and lags. Do you keep that sharp of a money eye?

LUCKEY: Absolutely. You just can’t go on with the old retention and accounts receivable attitudes and practices. You need to stay on top. Some contractors appear intimidated about asking for their money. If a payment situation develops outside the normal terms of payment, I have no problem about asking for what’s mine.

I perform: I get paid. It’s that simple.

DIMENSIONS: It’s a nice formula. But common sense has a part somewhere in such a rigid two-part approach, doesn’t it?

LUCKEY: Of course, you must use a rational approach—but I feel you shouldn’t substitute common sense as a rationalization for not acting with firmness and dispatch.

It’s vitally important that subs or specialty contractors maintain their cash position. We have a heavy labor cost involvement and every week we have a payroll we must meet—even though we don’t get paid that often.

DIMENSIONS: But what about overnight deposits? What about Certificates of Deposit? What about capitalizing, buying vs. leasing? Are wall and ceiling contractors becoming financiers rather than installers?

LUCKEY: They won’t—can’t—become one or the other. Today, they’re being forced into becoming better financiers, too. Our business is still installing systems, but money management involves a number of elements.

If you have a cash surplus, you go for CDs. With me, if we’re in a deposit situation, our excess cash goes directly to savings for the interest. I don’t allow cash to sit around in non-
interest accounts because I can’t afford the luxury of money not working.

DIMENSIONS: Let’s say a contractor wants to grow . . . or maybe take on a bigger job than usual and he’s cash strapped. What’s his best approach to a banker?

LUCKEY: If that contractor is looking for immediate money relief, he’s taking the worst approach. You don’t wait until you need the money to approach a bank. Banking relations should have been going on prior to any request for a sizeable loan. If a contractor projects a future need, he should walk into the bank—I prefer to deal primarily with one bank—and act like a professional.

Then he should lay it out in clear, honest, unequivocal terms . . . his goals, needs . . . and how he plans to maintain that situation on a current basis. From that point on, he should keep his banker updated . . . without trying to hide or back away from temporary embarrassment. Construction is considered a somewhat risky business, so bankers will come down hard on the basis of poor performance, high interest and payback.

DIMENSIONS: Moving away from money, how does Southeastern Drywall obtain work? Where do you get your jobs?

LUCKEY: We bid and negotiate, the same as everyone else. There are few tricky techniques. You just apply the fundamentals, hopefully with a bit sharper edge. The majority of our work comes from negotiating with our general contractor customers, who are getting more and more selective these days in their subs.

DIMENSIONS: The emphasis then is on a reputation for service?

LUCKEY: Oh, I should say. In this
business, service and reputation are everything. What else is there to sell except service? And most of us find that GCs limit their negotiations to three or four subs with whom they like to do business.

... and to a customer, the definition of service is: timeliness, quality, and price.

**DIMENSIONS:** Some subcontractors contend that a good GC will make or break a profit. On the other hand, there are those who feel that you pretty much control your own profits. Where do you stand?

**LUCKEY:** You have to know your customer because a general superintendent can be very important on interior construction as well as the other subs. One or the other are seriously lacking in their qualifications, they could foul up or alter the schedule and affect us substantially.

**DIMENSIONS:** Are you one of those wall contractors with a reputation for not fearing to cover up another slow sub?

**LUCKEY:** Yes, we’ll cover them up. It’s very important that we demonstrate to the general contractor and his supervision that we mean business, that we intend to follow—and beat, if possible—the schedule.

But much of construction is coordination. Often, a GC’s super is good at his own work and less qualified on ours—so the average sub knows that he must keep track of his own work and resolve many problems himself with other subs. Otherwise, you’ll have the inevitable slowdown.

**DIMENSIONS:** Aside from scheduling and coordinating to protect the job schedule, what other techniques are open to provide profit?

**LUCKEY:** I think more and more specialty contractors are coming to realize the growing importance of material acquisition and logistics. You really need to look carefully at material prices because they’re changing constantly in a wide-open economy.

You can pre-buy up to a point, but if the schedule changes you may need help from your suppliers. That’s why good relations are important there, too. Dependability and consistency is what you seek in a supplier so a good on-going relationship with your supplier is a two-edge sword that can cut well for both of you.

**DIMENSIONS:** You’ve been in this business since you were a teenager. Just in the past decade alone, what are the most significant shifts... the areas that a contractor should take a look at?

**LUCKEY:** The biggest change is probably related just to being in business. Unstable material prices and labor costs, high inflation, and a slowing down of business in general are all having great impact.

These conditions are forcing contractors to be much more aware of their pricing and costs of doing business. Today, you’re in a constant re-appraisal mode, looking for ways of reducing job and business costs while holding to a reasonable pricing policy. In any kind of cyclical situation, your labor costs can shoot up or drop, depending on supply of and demand for qualified craft people.

**DIMENSIONS:** You’re a non-union company, aren’t you?

**LUCKEY:** Yes, but that doesn’t alleviate one bit the rising cost of
labor. When business is good, we quickly outstrip our labor force and must go to less qualified manpower to maintain the work level.

**DIMENSIONS:** Do you go along with the general projections that business will be restricted throughout most of the 80’s?

**LUCKEY:** No one really knows, do they? I mean you can see signs where a true boom is in the making. Housing has been horrible for a couple of years so demand should be pent-up.

Certainly the time frame is a problem on recovery. Everyone missed the time frame of the last recovery. Personally, I think there’ll be a slower recovery from this recession, gradually moving up to full production. Construction is down here in the Nashville area right now, but I think it’ll improve by the end of the year.

**DIMENSIONS:** There are so many tentative economic areas right now that the fear of recurrent inflation is a real one. What impact do you see coming from another zap in pricing?

**LUCKEY:** I would see something we all want to avoid—the return of virulent cycling. It’ll start all over again.

What we need right now is growth, perhaps slower than in the past, but a sober, positive economic improvement. The last thing we want is an artificial super boom with huge cost and price increases.

**DIMENSIONS:** What part does diversification play in your business risks?

**LUCKEY:** I believe in doing well what I do best. I’d rather be the best drywall contractor than a diversified contractor. What I’m saying is that I have no definite plans for diversifying right now and I don’t plan on moving aggressively in that direction. The most important specialty still is quality work and good service—and you can never, never lose sight of that.

**DIMENSIONS:** The current situation has altered the management styles and approaches of many contractors. Do you see a continuing erosion away from the strictly technical approach?

**LUCKEY:** You must constantly change to accommodate changed conditions. Most tough-minded contractors are considering their management styles for a slow-growth situation... flexibility in personnel, combining responsibilities and functions... what to do in a drop to the lowest profile.

I’m not talking about demotions and separations as aspects of lower profiles so much as I am emphasizing flexibility. A contractor is going to need to direct and control his costs to suit the new economic conditions. He can be in real trouble very quickly if he tries to maintain a level that’s inappropriate for his conditions.

**DIMENSIONS:** A number of contractors have gone to the lowest profile of all. They simply closed up shop.

**LUCKEY:** I’m aware of a number of those cases. It’s not surprising. But there’s really a greater challenge in trying to make a profit in a declining
or depressed economy. That kind of business environment doesn’t forgive too many mistakes—but you can still go for growth in a non-growth situation. It’s all a matter of organizing properly.

DIMENSIONS: How about you? Are you still in a growth attitude?

LUCKEY: I don’t have any intention of being a non-growth contractor. Our volume was down last year but we still added an estimator. I plan to continue to attack—carefully, mind you—but not all progress is profit alone.

Sometimes you measure progress in terms of being in a readiness position so you’re ready to go if the situation opens up for you. I’m still looking for the positive situation these days, but my job is management and organization and how to change my company to suit its environment.

For now, I’ll keep my eyes on the competition; plan for thinner margins—and keep everything in balance.