‘Diversify’

When Florida Contractor Stephen Gibson Started Losing Jobs to the Bid Packagers, He Launched a Diversification Drive

It was as plain as a section of unfinished gypsum board.

The lack of a diversified approach was killing off job opportunities for the business that his father and uncle had started in the 1940s. So Stephen K. Gibson, 33-year-old president of CASACO, Inc., Clearwater, FL, started responding to his changed market.

Essentially a drywall and steel framing company, Steve was stung when his company lost a few big jobs because he couldn’t package his bid. Then a visit to his first AWCI convention in 1980-in Phoenix-opened his eyes to the opportunities available to diversified firms.

That’s when the effort began in earnest to add stucco, lathing and plastering to CASACO’s services. A year later, eight-year lath and plaster veteran Richard W. Althof was brought on as a Vice President—and CASACO has been on a solid upward climb since. The company is now averaging about $4,000,000 a year in gross volume.

Thinking problems through thoroughly and then moving promptly and confidently have been a hallmark of Steve Gibson’s approach to contracting. Born in Salem, IL, son of Oma “Hoot” Gibson and Mary Reed Gibson, of Clearwater, Steve worked as a child in his father and uncle’s homebuilding business. That business gradually transitioned in to carpentry, metal framing and drywall.

In 1972, his uncle retired so Steve became a partner in G & G Construction. CASACO was formed by Steve and his father with a third partner in 1977. The interim saw Steve pick up a business administration degree from University of South Florida.

In January of this year, Steve took over as the company’s chief executive officer. The company is presently located in an industrial park but will move into a new headquarters-warehouse complex of its own in July. The new 8,500 square foot one-story stucco and block building will feature the various finishes and systems that the company provides.

For Steve Gibson, his old company is suddenly a new one with a future that is expanding.

DIMENSIONS: With business being depressed as it is, why did you pick a year like 1980 to diversify?

GIBSON: The year picked us.
Competition forced a prompt move because we began losing jobs—big, good jobs—when we couldn’t package.

Then I went to the AWCI convention and it was obvious that diversification was the trend elsewhere if not here. The convention got me to thinking in terms of a Division 9 contractor.

I suppose you could say I was sensitive to the diversification concept at the 1980 convention because we had just gotten beat on a job because of the stucco package.

**DIMENSIONS:** Had you been toy- ing with the idea earlier or was it just the smarts after getting outbid?

**GIBSON:** The idea had been lurking around. In earlier years, we had moved into drywall and steel framing because the general contractors wanted those items bid under single responsibility. When the market talks to you—and sometimes the language is harsh—it’s best to pay attention.

**DIMENSIONS:** From idea to plaster-stucco division can be a long path. Didn’t you have some trouble with the management and skill problems, not to speak of a new technology to master and manage?

**GIBSON:** I was fully aware of the problems and the challenge. Remember, my company had a good reputation so good, competent people—like Dick Althof—were willing to take a chance with us.

The other factor was my commitment. If I was to go into a diversification move I intended to do it 100%. I conducted a one-year search among suppliers, manufacturers and others in the business. Dick Althof’s name kept coming up so I knew I had the management skills that were needed.

**DIMENSIONS:** Did you start putting together package bids immediately?

**GIBSON:** Yes, there was no reason to delay—and we started getting the jobs we were going after, too. We made it abundantly clear to our customers that we were prepared to do the gamut of commercial wall and ceiling work . . .

**DIMENSIONS:** . . . and the problem of break-out prices? Have you been asked to break out?

**GIBSON:** We occasionally get requests to break out. We don’t like to do it, but the decision depends on the job . . . you know, the size of the job and how much we have in it.

**DIMENSIONS:** From your experience up to this point, what advantages do you see for the customer and for you as the installer?

**GIBSON:** The principal element is overhead application. We can spread our overhead now over two segments in a job. Before, two companies would handle the drywall and the stucco. Each would be working on a small margin, with the margin percentage going down as the volume amount increases.

In the past, when we’d bid package we’d need to sub out a portion—and this reduced our margin. Now, we get a safer margin on small and larger jobs. And our customer gets single responsibility, usually with a better price than two separate contracts or a sub-sub deal . . . plus less, many less, headaches.

**DIMENSIONS:** How about some of the other advantages? A single mark-up isn’t the only one, is it?

**GIBSON:** No, of course not. We enjoy better buying power—which can be passed on in the form of lower bids. We have better logistics control on a job . . . we don’t have to contend with the work done earlier by another contractor who—sometimes—could care less what our problems are.

We avoid the resentment that any
general contractors feel about brokering out part of the work.

It really boils down to the reason we diversified: if you can get management control over it, take it.

**DIMENSIONS:** Financing a bold diversification effort can be a challenge. Plus, you have different cash flow problems when the job size increases. Did you find it necessary to go to a bank or improve your line of credit?

![Image](https://via.placeholder.com/150)

**GIBSON:** Our cash resources are considerably more than needed for the work we do. We really don’t have a cash problem, and I remain highly conservative when it comes to money and financing. I learned that quickly and early from my father.

Since 1940, we have never failed to earn a discount on a material bill and have never missed a payroll . . .

**DIMENSIONS:** . . . You’re not claiming a total absence of sleepless nights, are you?

**GIBSON:** No, there were plenty of Thursdays when we sweated out a progress payment so we could make payroll the next day.

Our main priority from a financial viewpoint is to keep increasing our bonding and our banking capacity.

**DIMENSIONS:** Would you mind sharing your formula for this?

**GIBSON:** Not at all. It’s simple—and the same one used by virtually all contractors.

We keep as much money in the company as possible. We keep our bonding agent fully informed with the kind of information they want and need—and we try to perform better than we said we would.

The debt the company now has is short term debt . . . equipment, vehicles, that sort of thing.

**DIMENSIONS:** With your added capabilities, you certainly must be do-
There’s a budget breakdown by each trade and each phase of the work. That’s so we can provide each foreman with a full understanding of what his responsibilities are within the overall plan.

So far as materials are concerned, we want firm price commitments for the life of the project. Rather than inventory, we arrange for job site delivery, placed on the job floor by floor.

**DIMENSIONS:** ... and you keep weekly updates on progress?

**GIBSON:** The foremen turn in their time reports on Wednesdays. This information is coded so we can provide computer printouts of the weekly analysis by the next Monday. To get job efficiency, it’s vital that a foreman know precisely where he is on the project—and the budget.

**DIMENSIONS: CASACO is a non-union contractor, isn’t it?**

**GIBSON** That’s right.

**DIMENSIONS: That allows you some latitude in managing, some advantages that are becoming more popular in construction...**

**GIBSON:** We have our agreements—and in writing, too. The main thing is that we manage with a freer hand. We can also fashion incentives to meet our employees needs.

Every one of our foremen knows of the individual incentives—bonuses—that are his if he brings the job in profitably. There are no personalities involved in our bonus system. When a foreman brings his work in under budget, he knows he’ll receive a percentage of the saved amount.

**DIMENSIONS: And you have piece work here, is that right?**

**GIBSON:** Yes, and piece work can be high quality work. We prove that conclusively on every job we do. But it requires tight, careful controls. Our
foremen check all work carefully to see that it’s acceptable.

Piece work isn’t an automatic cure-all for productivity. You need good supervision for effective piece work.

DIMENSIONS: Steve, what’s the major difference—as you see it—between a union and non-union contractor?

GIBSON: The only legitimate answer to that has to be flexibility of management. Our people are well paid; you can’t get away with cutting a man’s pocketbook in this day and age.

DIMENSIONS: Turning to another aspect of the business, many contractors—for good reasons—are complaining about payments . . . retentions . . . out and out bad pay. Have you experienced this sort of thing in the Tampa Bay area?

GIBSON: I think all contractors have seen their accounts receivable stretch out uncomfortably. It’s a sign of the times.

DIMENSIONS: But it shouldn’t be for an alert contractor?

GIBSON: Alert or not, you’re having trouble in some areas now. Closing out has been tough because many apartments or condos aren’t selling and the owner has to stretch. That means some contractors will be forced to ride things out.

DIMENSIONS: But the dependable owners and general contractors are paying out on time?

GIBSON: They always do. That’s why the best collection policy is knowing your customer, being familiar with his track record.

There’s no reason to go into a job blind. Somewhere, there is always a record. It’s your job as a contractor to find that information.

DIMENSIONS: You’ve been in the construction business for a long time, starting as a teenager working for your father. What have been—and will be—the big changes in the Florida construction market?

GIBSON: It seems to me that everything was once sticks and nail-on. Then came steel studs.

Five years ago, most construction was block. Today, it’s steel framing and stucco. In exteriors, the trend is definitely toward metal stud curtain-wall systems.

DIMENSIONS: And what do you see in your company’s future?

GIBSON: We’ll be moving steadily toward a role as a Division 9 contractor . . . a systems contractor. That’s the trend as I see it—and I want to stay in the swim.