Family Businesses Can Finish First

Burbank’s Jim Masterani Runs His Drywall Business as a Family Operation and the Results Have Been Just Short of Spectacular

He’s contracting proof that nice guys don’t necessarily finish last—even if they’ve given others a good headstart.

That’s one way of describing James “Jim” S. Masterani, 60-year-old president of Burbank Drywall, 1903 Magnolia Boulevard, Burbank, CA. The transplanted Pennsylvanian took the plunge on his own only 10 years ago . . . and he has more than a California-style suite of offices to show for it.

Setting a torrid multi-million dollar pace with spectacular emphasis on the bottom line, Masterani now runs his operation as a strict family business, housed in an attractive two-story block and white stucco headquarters. The dramatically decorated office suites reflect the zesty flamboyance with which Masterani conducts his business affairs—yet shows, too, that taste and efficiency are important.

Burbank Drywall is just what Jim Masterani wanted it to be—a union drywall contracting firm whose profits could seed other business interests. The company’s headquarters dominate its city corner location, and overlook the extensive nearby real estate holdings and properties into which he plowed his earnings. Today, Jim has slowed the pace. He and his wife, the former Doris Whitfield, who like her husband was born in Sewickly, PA, travel extensively—and are casting eyes on a possible early retirement.

For Jim Masterani the way and mode he traveled wasn’t easy but it wasn’t anything he couldn’t handle either. Son of Elizabeth Toia and the late Stephen Masterani, a city employee, Jim finished high school and went into the South Pacific with
“Show me a successful contractor and I’ll show you someone who replaces a lot of footwear either for himself or his supervisors . . . your paperwork system will report but feet will get you there and eyes will tell you what you must know.

Two years later, Jim hung out his own shield as Burbank Drywall, specializing in large tract housing. He ran a $10 million company consistently for the next 10 years and invested wisely. The result is a company run by Jim, Doris, and their three daughters, Darcy, Jayme and Darby.

A member of AWCI, Jim also belongs to the Building Industry Association, Southern California Drywall Contractors Association, and serves as secretary of the Joint Adjustment Board.

DIMENSIONS: Jim, your offices are, well, spectacular with imported Italian wood furniture, desks, and luxurious divans and potted plants. It’s somewhere between a business office and a luxury living room. California is noted for its fancy executive offices, but you’ve moved a step beyond without being garish. How and why?

MASTERANI: Please keep in mind that Doris and I spend 12 to 14 hours a day here. We’re here more than home at Toluca Lake in North Hollywood. We just wanted to be comfortable—and, let’s face it, after more than 30 years here I’m a Californian . . . I wanted it to look nice, too.

DIMENSIONS: You’ve indicated that you’re looking at retirement or at least slowing down. What becomes of all this when you pull out?

MASTERANI: I haven’t thought—and don’t intend to—about it all that much. My daughters are all in the business and their husbands aren’t interested. The business has established a quite comfortable retirement option for Doris and me when and if we choose to take that option.

Doris and I are traveling now. We intend to continue to do that—and if the girls or someone wants the business we’ll certainly give it every consideration. Frankly, it isn’t a problem that taxes me much.

DIMENSIONS: Being a union contractor who specializes strictly in drywall should be a bit taxing these days, wouldn’t you say? Some contractors feel that a one-service business is in danger?

MASTERANI: We can’t keep up with all the drywall work that is available now. We’ve been successful with tenant work because it’s strong in this area. They build a core here, such as a mall or shopping center, and there could be a dozen general contractors and different drywall contractors all on separate bids—

DIMENSIONS: —then you have no intentions of changing?
MASTERANI: That’s right. I do feel—if I ever had to do it over—that I’d combine painting. It’s a good source of income and an application that is logical to control. Still, though, I know drywall—not paint. With the right people, it could be done easily by the drywall contractor.

DIMENSIONS: How about the union situation? Are the open shops giving you a difficult time, too?

MASTERANI: A few years back we were averaging $8-$9 million annually. Now, we’re at $5 million—so that answers your question in dollar terms. The non-union guys knock out the benefits—that’s where the difference is coming from—and the GC’s are taking these low bids.

What’s important is that these GC’s are pocketing the difference. There’s no price differentials between union built and non-union built homes. Only if the general contractor is signatory will a union subcontractor get in on the jobs so many union operators have gotten out.

DIMENSIONS: Where does it go from here?

MASTERANI: I wish I knew. Even a union general contractor is required to hire only five basic trades. Then he can hire non-union-and drywall has been union because it’s part of the carpenters union, one of the live trades.

The carpenters recognize the problem and are truly making an attempt to respond. But the painters union apparently isn’t doing much.

DIMENSIONS: So what does that mean to Jim Masterani? Will he go non-union or double breasted?

MASTERANI: No, I don’t need that kind of aggravation. I can close shop and be comfortable so if the trend continues I just might pack it in. Who knows?

DIMENSIONS: Where does Burbank Drywall find work? Do you market . . . advertise . . . bid . . . referral? Where does it come from?

MASTERANI: At this stage, it’s all from customers. I had to go out and work hard for the work in the beginning but my reputation is now established. I know the general contractors, builders, purchasing agents and designers—and they know me. I depend on calls coming in and I’m never disappointed.

A telephone call from someone I don’t know is often a call I like to stay away from . . . or, at the very least, check out carefully.

DIMENSIONS: How about those new customers . . . general contractors with whom you have no working knowledge? Do you take them on?

MASTERANI: It depends on my volume situation. If we can use some extra business, I’ll screen them carefully. It’s not too difficult to get a good line on a legitimate operator. I don’t need any bad debts. My main concern is with the kind of superintendents these unknown GCs have: a bad superintendent can cost you a lot of money.
“We read the contract carefully and cross out items that we feel are potentially injurious. That’s when we all begin negotiating. No one’s twisting your arm to sign a contract.”

studs. Where do you stand on this issue?

MASTERANI: We nail-on because that’s the way the job is specced. I don’t think there’s much doubt in anyone’s mind that the screw represents a superior approach... it eliminates nail popping. I don’t care how well cured the wood is supposed to be, you’re going to get nail pops.

DIMENSIONS: So any change will come from getting to the builders?

MASTERANI: The drywall contractor will need to do the selling. I have one builder—a quality conscious one—who insists on screws, and he’s willing to pay the additional cost.

Jim, with wife Doris, who is an active member of the firm.

MASTERANI: I’ve not had too much of a problem with my accounts receivables. My daughter, Darby, takes care of that and she follows up extremely well—

DIMENSIONS: —but the bad one... the chiseler... the game player? Who handles them?

MASTERANI: I do. When it reaches a point where a confrontation is probably inevitable, Darby simply tells them, “Look, I don’t wish to pursue this myself any longer. The next one you’ll hear from is Jim Masterani.”

DIMENSIONS: I take it things get a bit firmer them?

MASTERANI: Not at first, perhaps. But I’ve been around awhile... I’ve collected a few tough dollars—and, yes, I know how to talk and act in an appropriate manner. Sometimes, people who owe me money feel it’s better to pay what’s owed and deal with a pleasant person like Darby. When I call, it’ll get tight and tough in a hurry and they know it.

DIMENSIONS: Price increases in gypsum board are apparently peaking, but how did — or do you currently handle price increases in your material purchases?

MASTERANI: Materials are indeed expensive and you’d better have some good cash flow because you can run your receivables up awfully fast these days. I have a limitation on prices. I give a current price and when a builder wants a firm price I turn the job down. Some drywall contractors did give firm prices when gypsum board was still volatile—and I don’t like getting burned under those conditions.

DIMENSIONS: What happens in the case of the others... when they can’t finish the job. Do you get calls?

MASTERANI: I’ve had six calls just in the past month to finish up jobs that other subs couldn’t do. I’m firm in my policy to put a time limitation on the bid or insist on an escalator—whatever is warranted by the condi-
tions. I have no intention of assuming that kind of risk for the builder just to get the job.

DIMENSIONS: What’s your policy on inventory? Do you keep a good stock of board on hand?

MASTERANI: No. I’ve always believed in a minimum inventory because it simply ties up your money—at least reduces cash—for no useful reason. My time limitations are based on manufacturer agreements: my dates, of course, differ from the dates and limits given to other subs.

DIMENSIONS: A lot of flack has been heard recently regarding subcontract forms that general contractors are offering their subs . . . the subcontractor approved AIA Form 401 or the Form 600 by the Association General Contractor. The latter form has been sharply criticized by subcontractor groups as not worthy of a mother-in-law. What’s your experience on contract forms?

MASTERANI: I really don’t have all that much trouble. We have our own contract form or proposal. Yet some 95% of the time we use the GCs’ form with no difficulty. We read the contract carefully and cross out items that we feel are potentially injurious.

That’s when we all begin negotiating. No one’s twisting your arm to sign a contract, you know.

DIMENSIONS: On a big housing tract site, the opportunities for back charging are obvious. How do you control unexpected charges?

MASTERANI: The best control is: don’t give anyone the opening. Good supervision will accomplish this for you. It happens enough that you should alert your supervisors.

But, you know, I insist on my supervisors always watching and walking the job. Get out and walk, I tell them, because that way you’ll know what our people and the others are doing all the time. You can’t truly monitor progress on a job from an office or truck. Show me a successful contractor and I’ll show you someone who replaces a lot of footwear either for himself or his supervision . . . your paperwork system will report but feet will get you there and eyes will tell you what you must know.

DIMENSIONS: What do you see in the future, Jim . . . say, the next five years? Will the union contractor become a dinosaur in his own time?

MASTERANI: Let’s be honest: this non-union thing isn’t good for the industry the way it’s developing. There were some excesses, sure, on both sides.

But bidding among union contractors is competitive because we know the cost structures—not the overhead and profit—so you get a job based on quality and your ability to figure and do a job. An open shop just cuts out more fringes—and they can slice theoretically right down to minimum wage.

These savings to the GC aren’t going to the ultimate home buyer. Thus, there’s no control because it all boils down to money. When a GC knows he can pocket another 10%-12% on every house, naturally he’ll go for it.

But we union contractors still have the skilled people. The good ones don’t have to put their card in their pocket and buckle under and the good GCs will remain union as long as they can because they don’t want to give up too much quality for the lower bid price—

DIMENSIONS: —but you’ve still got to be reasonably competitive?

MASTERANI: Yes, the unions will need to make more concessions to reduce the burden. I’ve lost 60% of my work to the open shop, so this trained, wonderful workforce is going non-union in order to survive. I can’t blame the men.

We just need to take a strong, sober look at the mess we’ve got ourselves into—and correct it—get rid of the excesses. But we must keep the apprentice system, the health and welfare benefits. Some of the unions have awakened to the fact that there is an end to their demands and maybe we’ve reached it.

As for me, I don’t want to retire—and I’m not going non-union or double-breasted. I like to come into my office every day. But unless we can get things turned around, I just might go ahead and gradually phase out the construction business.

DIMENSIONS: Pack it in, right?

MASTERANI: This business has been good for our family. My daughters all own their own homes . . . they’re well set up. Doris and I want to do some traveling.

That’s what a business is for—to do things for people. I can walk away. I’ve done it before.