Some men have started construction businesses on less, but a song and a prayer and a $2,000 pull behind spray rig aren’t bad as starters.

That—and precious little else—is all it took to launch Larry H. Satcher on his way to a successful drywall contracting business. Today, his company, Precision Drywall of Newbury Park, CA, is a multi-million dollar business. It obviously wasn’t always that way.

As a matter of fact, for the first four years of his company’s business life Larry operated out of his garage of a rented house, working alone for the most part on the individual house jobs that he could manage to scrape up. He did it all, with the exception of the taping. Gradually his wife, the former Shelley McKeown, moved into the operation to assist with the accounting.

That’s when the native of Hawthorne, CA, really started taking off. In recent years, he’s changed his headquarters three times. The last change was into his own 22,000 square feet headquarters building, an attractive one-story black stucco structure which allows his company to lease out part of the space.

Precision Drywall’s facilities include some amenities unique even for California . . . such as a sauna, gymnasium, and a recreation/conference room. Raised in Torrance, CA, Larry attended Simi Valley High School. Within a year after school he began a carpentry apprenticeship as a framer. In 1970 he started hanging drywall, and by 1973 he’d earned his union card as a journeyman hanger. Three years later he started his own business as a general contractor with the $5,000 he and Shelley netted on their house sale.

By his own admission he was seriously undercapitalized and when the chance to buy the spray rig for $2,000 came up he leaped at the opportunity. The rig and the low garage rent kept him in business until he could get rolling. By 1979, he had enough work that he could switch over from non-union to union contractor status.
“Learn the law and use your legal options so you can do it efficiently and legally. That means know your lien laws and your rights under them . . . without running to an expensive lawyer with every problem.”

Precision Drywall these days is a major element on the large tract developments in the Newbury Park area.

As for Larry, he’s not only riding herd on his own fast-growing company, but he is also President of the Southern California Drywall Contractors’ Association, serves as chairman of the group’s negotiating committee and as a board member of the Drywall Information Trust Fund as well as the California Drywall Association. The 33-year-old contractor is also a director of the Charter Pacific Bank, in Agoura, CA.

DIMENSIONS: The first question that comes to mind is: the current trend apparently has been for most contractors to go from union to non-union status. You run contrary to that trend. Why?

SATCHER: Keep in mind that the unions controlled the large tracts in 1979 and also remember that this time period was at the end of the last boom. We had some serious allocations problems at that time.

It wasn’t until the recession 1981 that non-unionism got such a rocket ride so we had a couple of really good years as a union contractor before the bottom fell out.

DIMENSIONS: But you’ve remained loyal to union ranks, haven’t you? Again, what were your motives? Has anything changed?

SATCHER: Truth is, I’ve stayed awake a zillion nights wondering why. A number of factors and combinations are involved in that decision. First, I have enough work to remain union; next, the majority of my workforce wants to stay union; then, I would rather work myself in an organized environment because there’s so much less hassle. Finally, I sincerely believe that a portion of the industry should be organized in order to provide stability to things.

DIMENSIONS: What’s the percentage break? That is, how much of the industry needs to be union to provide this necessary stability?

SATCHER: I believe 75 percent should be organized. With at least 25 percent of the industry out of the union system, labor and management can be kept in line. Notice I said management. It isn’t all the union’s fault that the economics got tilted: management was responsible, too.

DIMENSIONS: I take it you weren’t setting the world on fire as an undercapitalized general contractor. What made you stretch out your drywall company . . . give it the quick growth it’s enjoyed?

SATCHER: Oh, it was strictly desire. I was making good money, but I really wanted a bigger operation—but not at the expense of profit. I’ve seen many guys gross themselves right out of business.

The bottom line is the indicator of your company’s business health. I watch the pennies all along the way.

DIMENSIONS: These are troubling times even for the best of companies, so to you, what are the signs of a construction company getting into serious trouble?

SATCHER: The first sign, I think, is overuse of credit. A contractor has
to be constantly on the lookout for that. It indicates usually that your management or cash flow planning is getting shoddy, that you are starting to rely too much on others.

Probably, too, the under utilization of a touch of humility can get a contractor heading down. You can’t be afraid to get your hands dirty and if you play the big shot too much it won’t be too long. Business conservatism is a good practice.

DIMENSIONS: What’s your definition of conservatism?
SATCHER: I describe it this way: don’t think you’re making money, know you are. Know where your dollars are now and where the next ones are coming from.

DIMENSIONS: Let’s talk about accounts receivable. What principles do you follow with collections?
SATCHER: I think you have to know how to collect, or — at the very least-have someone who’s good at it. My wife, Shelley, keeps on our accounts receivable and she has a sixth sense about knowing when the money won’t be collected through the standard techniques.

I say learn the law and use your legal options so you can do it efficiently and legally. That means know your lien laws and your rights under them . . . without running to an expensive lawyer with every problem.

DIMENSIONS: What about losing your lien rights? For example, what about the general contractor who asks you to sign the lien release so he can get his money so he can pay you?
SATCHER: My answer is pretty blunt about lien rights: If you lose them or give them away you deserve what you get.

DIMENSIONS: Your business is largely residential . . . large tracts. I should imagine you get a lot of change orders, don’t you? How about the paper trail that they can produce? How do you control this flow when you’re working a number of tracts at the same time?
SATCHER: It’s true, we do get quite a few changes. But I like to control change orders from the central point, right here. That way I know what’s going on with my money.

I demand of my people that they get a signed change. Now I might discount them or chip in the work, but change
orders are my job so every one of them is turned over to me. On that issue, I don’t deviate one bit.

After all, I don’t want elements of my organization giving anything away and a contractor can really lose if he doesn’t control it. Like so many other businesses, in construction you make’ money in the office and you lose it in the field.

In the commercial construction market, they generally manage change orders rather well. In residential, though, so many things can go astray.

**DIMENSIONS:** Keeping tabs on various projects has been described as a construction fundamental. Do you agree that a contractor must view the work to know where you’re at despite all the sophisticated management paper controls?

**SATCHER:** I go into the field at least once a week, and I review every job. I don’t miss this part of my responsibility. We run about 120 people on average and I can look at a job and make an accurate assessment of where we stand with regard to completion.

Most of my people know me and they know that I want problems corrected immediately—not later. Later is too costly. By keeping a close watch on the work and not letting little problems grow into big ones, we keep things going the way they should.

**DIMENSIONS:** What about the rest of the week? You can visit a job on Tuesday and on Thursday it can have a serious problem?

**SATCHER:** While I visit each job weekly, I’m not out of touch the remainder of the week. We have a communications system that’s the best in the business. All of my supervisors have radios and our people know they can call at any time.

We keep the channels open.

**DIMENSIONS:** Not all that many drywall contractors get into painting.

Again, you are a bit of a contrarian. What’s the fascination with painting?

**SATCHER:** Well, many successful drywall contractors also provide painting in residential tracts. You have a bigger portion of the work and you also avoid all that antagonism between painter and drywaller over properly prepared surfaces.

We do our own surface preparations and painting so we solve our own problems.

**DIMENSIONS:** I should imagine that your painting operation has cost you a few dollars to learn the business, hasn’t it?

**SATCHER:** It did take a couple of years to learn the business to the point where we could make good money at it.

**DIMENSIONS:** Your type of business relies on personal relationships a lot, doesn’t it? I mean these large tract developers get to know their subs and rely on them for work, rather than engage in the fierce bidding battles so characteristic of other markets.

**SATCHER:** With us, it’s a combination of them calling us and us call-
ing them. Some 90 percent of our work is solicited and yes, we do have a list of contractors that we do work for.

But it’s still fierce and you make a profit only if you manage well.

DIMENSIONS: How about customers with whom you haven’t done business before? How do you approach that situation?

SATCHER: We’re cautious about strangers, because I won’t lock anyone out. We make a stringent credit check on a newcomer, and inquire among any subs who’ve done work with him. A call to the Building Industry Credit Association will get a report on just about any GC who’s operated for the last 10 years.

We just turned down work on a big project because the BICA’s numbers on a GC didn’t come up right.

DIMENSIONS: Larry, in this time of hard, tough money how much a factor does retainages play in your business?

SATCHER: Our collection periods are shorter than in the commercial market. On a $1 million job, we can normally get paid our retention within 90 days.

We just try to get our punch list out of the way so they don’t have any reason to hold up payments.

DIMENSIONS: How are business conditions right now? In some sections of the country, construction is rather gruesome.

SATCHER: Business is decent, I’d even say generally good. For us, it’s as good as it can be under union conditions. We’re up slightly in volume from the pre-recession—1979-80—but we’re down significantly in profits. I suppose I could make a few extra dollars by going non-union but I don’t need to get
rich overnight. I’m in for the long pull and I want that union stability.

DIMENSIONS: It’s generally agreed that unions are making a determined effort to get things back on a more competitive footing. Is that happening in this market area?

SATCHER: I think it’s great what the unions have done. Like any large organization which had been going easily with the flow it got a bit lazy and isolated from its members.

Some of the excesses are being cleaned out. I don’t believe, short of legislation, you’ll ever get the right to picket back. By the same token, I can’t envision the industry as predominantly union again within the next five years as it had been.

Maybe the unions will stage a comeback in the next 10 years, but it’ll take awhile for the pendulum to swing back.

DIMENSIONS: A number of contractors—and all of the unions—have reported that the death of unionism is a bit premature—

SATCHER: —and they’re right, too. Union membership is older now and union leadership, I don’t think, has yet learned to speak the Yuppies’ language. The young just aren’t going for the unions—and they certainly aren’t interested in taking positions on the barricade.

The unions definitely have problems. The public withholds a certain level of support for their goals, their members are of an older and different attitude about union membership, and the young people just don’t see joining unions as their opportunity to stick it to us wicked capitalists.

DIMENSIONS: If the economics of non-union vs. union are a bit tilted, what impact do you think the new tax revisions will exert?

SATCHER: Well, if housing is to be the sacred cow to the write-off, there’ll be a tremendous surge in housing. Investment will go into houses rather than elsewhere because even as interest rates climb housing will still be more worthwhile.

DIMENSIONS: That would be the biggest change in the housing market for some time. Certainly, residential construction hasn’t changed all that much in the last decade, has it?

SATCHER: Nothing of any significance has occurred in residential construction. Furthermore, I don’t see much changing in the next five years either. As far as new technologies, for example steel framing, I don’t see any particular penetration there until steel becomes economically feasible. Even on a life cycle basis, it can’t justify itself.

DIMENSIONS: Would it be safe to say that the union and non-union situation will represent the biggest element of change in residential construction for the immediate future?

SATCHER: If I knew the answers to some of those future oriented questions I’d have a net value far in excess of what I have now.

I do think that labor will be a major element in the next few years. As unions trim down their cost and work practice excesses, and as non-union people see the benefits of an organized industry, there’ll be a coming together.

DIMENSIONS: Then you see a reasonably bright horizon for your company straight ahead?

SATCHER: We’re positioned to grow, slowly and profitably. I’m looking for a 5 percent growth factor a year for the next five years and I think that such a goal is attainable.

The industry will change, of course, but I don’t see anything radical that should force us to change ambitions at this point. What you’ll probably see will be more union contractors—and that won’t hurt anyone.