San Jose Contractor Finds Key to Growth Lies in Manageable Debt, Diversification

Douglas Allen Has Steered His Company Profitably and Still Seeks New Services and Specialties

San Jose’s Douglas D. Allen didn’t start out to build a multi-million dollar wall and ceiling company. Hard work just made it seem that way.

From the time he started out part time in 1948 as a lather on single houses, it’s been a fast ride up. Today, Doug is president and owner of Rollie R. French, Inc., whose $15 million in annual sales has prompted a move into a beautiful sprawling, one-story stucco headquarters-warehouse facility on 975 Mabury Rd., in San Jose.

Nor does any evidence exist to convince anyone that this latest development represents the end for his diversified company. His company specializes in lath and plaster, drywall, metal studs, exterior insulated systems and fire proofing.

A native of San Jose, son of retired lather Byron G. Allen and Josephine Acker Allen, of San Jose, Doug started his construction career as a summer worker and by 1948 was into lathing fulltime. After time out with the Marine Corps in the Korean War, he returned to get his lathers journeyman card in 1951 and begin work with the Jack Dymond Company.

By 1957 he’d progressed into estimating and management for Dymond who a year later then moved the young lather to Sacramento to open up a branch office. Doug and his wife, the former Violet Lopes, of Santa Clara, decided the San Jose area was home and moved back where Doug went to work for local contractors.

Soon thereafter Doug joined up with Rollie French who needed a lather to help out with commercial work. By 1970, Doug was in a position to buy Rollie out and it’s been his family business ever since. And family business is what it is: Doug’s son, Mark, is a vice president and field supervisor, while another son, Michael, is being groomed at the journeyman level. Two nephews, Jerry Burdick and Keith Walker, are estimators.

With his company moving into a completely new headquarters facilities, Doug Allen will now be able to pull together a spread out operation, with room to further diversify.

Gene Burgess is the firm’s chief estimator and office management specialist.

A member of the Association of the Wall and Ceiling Industries—International, the company also belongs to the Northern California Drywall Contractors Association, the San Francisco Plastering Contractors Association, and the South Bay Plastering Contractors Association.

When CONSTRUCTION DIMENSIONS caught up with the fast moving Allen he was in the process of bringing his various operations together in the company's new San Jose headquarters-warehouse complex while running a subcontracting business, too.

DIMENSIONS: The Bay Area, like many other major metropolitan regions, has had its moments in the union vs. non-union confrontation. Yet you mentioned earlier that you’re still a union company. Was the threat of a non-union takeover real or imagined?

is the word but, yes, we are still a union shop and expect to remain that to the fact that we’d become somewhat less competitive and they took the

We’ll probably remain union
although, frankly, I had taken some organizational steps in anticipation of being forced to go non-union in order to survive as a business.

**DIMENSIONS:** Is that true for San Jose or for the entire Bay area?

**ALLEN:** Oh, I think we’re talking about the whole Bay Area now, especially San Francisco. Through the realization that they were losing union contractors, the unions—particularly the Carpenters—provided the leadership that was necessary to get us back on a solid competitive footing.

At one time there we were losing work to the non-union segment at a rate that couldn’t be continued. We just had to do something.

**DIMENSIONS:** Did your company fall behind during these hectic times?

**ALLEN:** We’ve had a steady growth, even when the non-union thing was at a peak. In other years we could have done more a number of times but I try to keep our debt limit as low as possible so our growth can be sustained.

It came rather close when costs started getting out of hand but the type of work we do can maintain our union status—and that’s the way I want to go anyway.

**DIMENSIONS:** Did non-union contractors penetrate traditional union markets or has it pretty much been a standoff?

**ALLEN:** It was a standoff. To some extent they did penetrate, while they maintained themselves on small R&D projects and lots of tenant improvement work. Unions just can’t compete successfully for this kind of work.

The consolidation of the lathers and carpenters was really a help. We’re not fighting with two unions now on jurisdictional problems and this used to kill us because of the different practices under each local.

Now we have a free flow of men and uniformity of work practices.

**DIMENSIONS:** And wage scales? What about uniformity of pay rates?

**ALLEN:** With the uniformity in wage rates a contractor can now establish accurate estimates. I can now send a couple of men who are loose and re-assign them without the hassle of a jurisdictional argument. These changes are reflected in the prices I now bid.

A few years ago in the Oakland-Alameda area you’d automatically add 30 percent to the bid for the expected lack of productivity from the personnel that would be assigned to you. Those days, fortunately, are gone.

**DIMENSIONS:** Then it’s almost as it was before all the noise?

**ALLEN:** In those areas where the union leadership met the challenge it’s still union. Thirty miles south of the Bay Area it’s practically all non-union but for the most part it’s still union in the metropolitan areas and non-union in the suburbs.

**DIMENSIONS:** Earlier you mentioned “the kind of work...” you do as being more compatible with union status. What do you mean...
lath and plaster, exterior insulated systems . . . that kind of thing?

ALLEN: Yes. The EIF system is catching on, apparently all over the country and it’s bringing back the exterior markets we’d been losing. Our systems are lighter, more economical to assemble, and provide acceptable durability.

It’s been a boon for the lathers, even more so than the plasterers.

DIMENSIONS: Some contractors claim they’re developing interior markets for the EIF system? How about your company?

ALLEN: There’s no interior work to speak of. It’s primarily an exterior business.

I do occasionally run into some veneer work, particularly on a project where there’s a wide expanse such as a lobby or the like. Thin coat isn’t really competitive with gypsum board.

DIMENSIONS: When you were introducing the EIF system into your company, were there any problems? What was your first job?

ALLEN: We did a few small jobs then went for the larger projects. I’m referring to a number of low rise buildings and then the larger jobs such as the San Francisco Airport Terminal.

After the initial break-in it became easier. Plus, with Dryvit, we had outstanding technical backup: they really make an effort to get good technical people to assist you.

DIMENSIONS: Then the market for EIF systems is growing here in the Bay Area?

ALLEN: Oh, yes, the design community has discovered the product and they like it. It’s not breakneck by any means, but the growth element is definitely there. When you add design flexibility to weather tightness, color control, and no cracking you’ve achieved something.

It’s a bit more expensive than traditional stucco but as a construction product it’s got it all over stucco.

DIMENSIONS: You get into many areas of wall and ceiling work. What do you do when you encounter unpleasant clauses in the contracts that are offered to you?

ALLEN: On occasions we have made changes or modifications in a contract, but primarily we go along with the wording that the general contractor provides. He really controls the
job and you don’t have that much ability to make general changes. I honestly don’t know of anyone who’s been successful in making major changes—and still got the job.

DIMENSIONS: What clauses give you the most trouble?

ALLEN: The broad form of hold harmless clause. That’s tough to get out and usually you just have to cover yourself with your own insurance.

The really tough one, though, is the conditional payment clause where the GC doesn’t need to pay you until he’s paid.

If we know the GC, we let it go because he’s in the same tough bind that we are. If we don’t know the GC personally then we get it out or at least get a clause where we can walk if we’re not paid.

Almost always, a GC has that option but he doesn’t like to pass it along to the sub—

DIMENSIONS: —and if he refuses, then what?

ALLEN: If we know the GC we ask to see his contract with the owner. Keep in mind now that we are accustomed to dealing with old customers, people we know and with whom we’ve enjoyed a good working relationship. These contractors are pretty easy to trust.

DIMENSIONS: Even with good, reliable customers, times and conditions change. Cash flow—like good friends—is a matter of 30-60 days, isn’t it?

ALLEN: That’s a harsh way of putting it. We will our percentage of completion monthly and from the time we bill till we receive payment it’s usually 45 days. When it hits 60 days, we get on the phone promptly.

DIMENSIONS: What does “we” mean: someone in the company or Doug Allen?

ALLEN: I do it myself. Often the first call will be one of our secretaries to their accounting department to see “when can we expect the check.” If there’s any delay I step in and the discussions become more specific.

After some time you get so you can class your customers. We know who’s the 30-45 day payer and who’s bidding a job based on the sub’s money. Sub-contractor bids generally reflect this knowledge. It costs money to borrow money.

DIMENSIONS: A contractor planning on using your money to the maximum would tend to be creative in other money items . . . such as hack-charging. How do you monitor backcharges?
ALLEN: We don’t have much of a problem in that area. We try to get things solved right on the job right away. If we can’t straighten it out that way, we’ll authorize a backcharge.

What I don’t like is the GC who, unexpectedly, will give you your retention check—after he’s whipped $3,000 out of the job on a mysterious backcharge. We just don’t bid that kind of person again: it’s one job and no more.

DIMENSIONS: And the word gets around quickly, right?

ALLEN: Yes, those kinds don’t remain unidentified long.

DIMENSIONS: The practice of visiting job sites varies with each contractor, some make it a point to visit each job regularly and others delegate. What’s your preference and why?

ALLEN: I used to check the field but as we grew larger I obviously couldn’t continue the practice. I have good people and that’s their job even though I try at least once a month to visit projects.

We conduct weekly meetings with our supervisors on all projects and that’s where many of the major decisions are made. If some specific action is required, then a project director or I will get into the act immediately.

DIMENSIONS: And a bad job? What’s your secret elixir?

ALLEN: It would be nice but I’m not sure one exists. On a bad job, you just grin and bear it, keep after it so you can cut your loss as low as you can. You try to track the problem down but sometimes they’re just a bad job and that’s it: you just hope you can escape with some kind of profit.

DIMENSIONS: Basically, though, the GC controls the job and productivity. He’ll make or break profits for many subs, won’t he?

ALLEN: If he’s the old time GC, he’ll hold the job together. So many so-called GCs today are brokers and you see an awful lot of these. So many times, there’ll be a coordination meeting and then everyone will scatter. You wind up controlling and coordinating your own work with no one seemingly in charge.

It’s not easy to make a profit when no one’s in charge.

DIMENSIONS: Isn’t it also difficult to collect your retention money on a job that’s gone bad?

ALLEN: Yes, and often when they hold your retention you have nothing to do with it. You have to live with that kind of situation, as expensive as it is.

DIMENSIONS: Yet all through this you’re supposed to be upholding a reputation for quality work and service. That gets pretty difficult, doesn’t it?

ALLEN: Yes, but you can’t ever let up on that. Your reputation is the one thing that distinguishes you from another contractor, perhaps one who does give up the effort.

Get the work done and get it done well: that has to be a sub’s motto. To avoid problems and to keep doing the best you can given your resources, finances and equipment: that’s the only sensible approach.

You get business from recommendations . . . from customers who like the quality of your work, your ability to do work, and your ability to get along.

The worst problem in trying to steer a proper course is with the bid job where you see an obvious error. If you see something in the plans and you just bid it as the documents ask and the architect later screams, “you should have known.” That’s true but if I bid what’s in the average architect’s mind—and not on the drawings—I’d never get a job.

DIMENSIONS: So, how do you bid it?

ALLEN: I bid it as I think my competitors will bid it. I want that job: so do they. Of course, an optional bid is helpful sometimes in such a situation—but not always.

DIMENSIONS: You’ve been in this business since a boy, Doug. You’re now 55 years old. You’ve seen some radical changes in that time.

Now, where do you see the industry going, say over the next two decades?

ALLEN: That’s not really all that difficult. It’ll be a little of the old, with variations added. Most—if not all—of these variations will probably come at a speed that an alert contractor can detect and then react to.

I see metal framing increasing along with an improvement in screw attachments. The EIF system will expand.

DIMENSIONS: I noticed in your shop area a number of large Fiberglass molds and what appeared to be large columns. Are you into mold making?

ALLEN: Yes, quite a market is developing for these columns and we’ve set up an operation to produce them. We had been subbing this work out, and then ran into a few problems. That’s when we decided we could do it. I did have some natural talent for that kind of work on the payroll already which made it easier to get started.

We set up one job and went ahead with having the molds produced. We did the job and then made a cost comparison and found out we’d made our projected profit.

Once the word got around of this new capability we got some inquiries so we proceeded to let the situation grow. We got UL approvals and developed a good working knowledge of the whole technology. We’re ready now to roll out with it.

DIMENSIONS: Have you set up a promotion program for it?

ALLEN: We hired an advertising specialist to do our direct mail brochures once the approvals were obtained. My nephew, Keith, carried out the whole thing from start to finish.

We spent a considerable amount of money getting into this specialty but I believe glass reinforced columns of every configuration is a target market that will pay off for us.

DIMENSIONS: Then not everything is more of the trend toward sophisticated management?

ALLEN: Oh, the management of a contracting business has indeed grown more sophisticated. In years past, a plastering contractor would make up his own rules and he was in business. You don’t have—can’t afford, really—that kind of hip pocket management around any more. Not when you have 10-12 deductions on a payroll check and the whole process is so delicate and complex that it has to be done on computers.

Add to that job tracking, accelerated scheduling, life cycle costing . . . the contractor is really more of a day-today businessman than he is a builder.

With all the complexities in agreements . . . legal . . . insurance . . . bonding . . . management . . . it is a far cry from when I started and some contracts were negotiated with a hand shake. But those days are gone.

What we have is what we have. It’s a good business, but you must remain alert.