WHERE THREE DOES MAKE A COMPANY

In its third generation of family ownership, Detroit’s Russell Plastering Company is guided by a trio of ex-journeymen who share the management load equally.

If it’s true that two makes a crowd and three makes a company, Detroit’s Russell Plastering Company has carried that philosophy to the final degree.

A family business from the beginning, the Company today is owned and operated by three principals: James R. Russell, 41, President, and his brother, John L. Russell, 36, Vice-President, and their first cousin, Thomas E. Russell, 36, Vice-president.

Now in its third generation of Russells, the Company was started in the 1920s as a commercial/industrial/residential contractor by the late Louis J. Russell, Sr. When he gave up the helm it was taken over by his three sons, Robert, Richard and Louis. The newest generation took over last year when the last of that triumvirate, Robert, died. This changing of the helm was something they had been groomed for.

Jim, a U.S. Air Force veteran, joined the Company immediately after his honorable discharge in 1970. As a youth, he’d served his construction time in a plasterer’s tender, but once he locked in on a career move he became a card-carrying carpenter and eventually learned estimating and management.

His younger brother, Jack, came into the firm with a degree in accounting from Wayne State University but spent most of his time as a journeyman carpenter in the field. He, too, eventually learned estimating.

Tom, son of the late Richard Russell, picked up a degree in management at Western Michigan, but continued working as a journeyman lather.
The plastering trades are very tight right now and they’ll probably remain that way for some time.

and field superintendent right up to the takeover last year.

Today, Jim does the estimating; Tom handles all field matters and Jack runs the financing and accounting for the Company.

The three men needed all the field training. Their Company is still a major plastering contractor with some $8.5 million annually in sales coming from lath and plaster, fireproofing, exterior insulated foam systems and drywall and light gauge steel framing.

For Jim, Tom and Jack Russell, it’s now a matter of taking a successful wall and ceiling business and running it in the traditions of their fathers and grandfather . . . an emphasis on everyday fundamentals.

DIMENSIONS: A company’s name often denotes the kind of specialty service a contractor performs. Plastering is prominent in your Company name. Is most of the Company’s volume in plastering, or are you truly diversified?

JIM: Let’s put it this way: the plastering trades represent at least half of our work. Now that’s hard plastering and fireproofing plus the EIF systems that we install.

The other services—drywall and light steel framing comprises the balance.

DIMENSIONS: Your plastering business is holding up rather well then. Where is the business coming from?

TOM: In general, the trowel business is healthy here. Add to that the fact that many of our regular customers recognize our ability to perform good quality work and we still find it worthwhile to pursue that line of business.

DIMENSIONS: I should imagine that the exterior insulated foam systems have rejuvenated interest in plaster type finishes?

JIM: The EIF’s have really brought back the plastering business. The reason that we’ve been able to take maximum advantage of this technology is that our work force capability was already in place.

JACK: Any experienced plasterer can install the synthetic product but this isn’t so easily accomplished for people trained only in the synthetic product. An individual trained in the synthetic plaster usually needs considerably more experience before being able to transfer those skills to regular plastering.

Field management for the company is handled by Tom Russell, a journeyman lather who holds a management degree from Western Michigan State.

TOM: You can train a mechanic to be reasonably productive in the synthetic product in a rather short time . . . it takes time to produce a true plasterer.

DIMENSIONS: The shortage of manpower to keep the EIF market expanding has aroused considerable interest. Do you feel any work force restrictions here in Detroit?

JIM: Oh, yes. The plastering trades are very tight right now and they’ll probably remain that way for some time. The last big class of plaster apprentices was in 1973 and I’m not cer-
tain there’s been any significant increase since.

**TOM:** The EIF systems are pretty much absorbing the current supply of plasterers. It’s taken just about everyone out of the hall.

**DIMENSIONS:** —Then shouldn’t this put emphasis on training new workers? Any program under way by the local unions to meet the need? As a union contractor, you’d be talking that up, wouldn’t you?

**TOM:** Yes, we’re strictly a union shop, but most of the training of people working with the new synthetic systems is being handled on-the-job by the contractors.

**JIM:** The resurgence of plastering techniques is basically in the synthetic plaster market. Hard plastering is pretty much gone except for an occasional job here and there.

**DIMENSIONS:** Do you see a groundswell moving that would lead the union into developing more trowel skills to keep this market moving and advancing?

**JIM:** That’s hard to answer. The market could certainly use a greater supply of talent. But, right now, most contractors are meeting their own demand.

**TOM:** Something will definitely have to start rather quickly. Most of the experienced hard plasterers are nearing retirement age while the EIF market is attracting younger recruits who see that the money and the work is there.

You can learn to apply the materials used in an EIF system in about six months. Connect that to an obviously money making, booming industry and you have the ingredients to enlist a good, motivated working force.

**DIMENSIONS:** Then you see the EIF market as a viable, substantial market with plenty of opportunity and profits ahead?

**JIM:** I don’t think there’s any doubt about it. We’ve just been hitting the fringes. The real penetration is yet to come and that’s why all things must come together as soon as possible . . . manufacturers, contractors and sufficient manpower to do the work.

It’s a safe bet to call it a booming industry.

**DIMENSIONS:** How are you handling the trading of new people? What’s your procedure?

**JIM:** We’re bringing in kids as apprentices on EIF work and then gradually moving them up, as their skills permit, to fireproofing and hard plastering. For the foreseeable future there will be a need for them. Three years ago, hard plastering was dead but not today—

**TOM:** Three years ago, we had 12 plasterers on the payroll and had to look hard for work. Today, we have 37 plasterers working steady.

**DIMENSIONS:** And you see good job prospects for the immediate future in the Detroit area?

**JACK:** Detroit is a hot market right now. It looks pretty steady for at least the next year. After that, of course, it’s anybody’s guess. The construction industry seems to run in seven year
cycles. We’ve been going pretty strong now for about 4 years.

DIMENSIONS: A year ago, the reports of the death of unionism in North America was the favorite topic of discussion. It appears that you’ve noted no such fate in this area.

TOM: Most of the contractors in the Detroit market are busy again so all the anti-union talk is shelved. Truth is, some of the switching and double-breasting may have been premature because when construction is depressed there’s always a lot of non-union talk—to get lower prices.

JACK: Detroit is a union town, make no mistake about that.

DIMENSIONS: Yet, the non-union contractors did make inroads into traditional union markets, didn’t they?

JIM: Yes and no. Certainly they came in strong especially in the carpentry field along with various price conscious projects such as strip shopping centers, interior mall work and apartment projects.

But, inner city Detroit has remained union. Non-unionism remains a city rim phenomenon.

DIMENSIONS: Then the non-union is still firmly entrenched in the residential market here?

TOM: Nothing new about that. The non-union operator has always been strong in residential, particularly single homes.

DIMENSIONS: Let’s move to the subject of estimating. I notice computers in almost every office. Is your estimating computerized or do you still use the traditional manual approach?

JIM: I’ve got a computer right there on the desk and it has a fine estimating program installed. I could be using it for estimating. But not yet because I don’t have the system down pat enough to feel comfortable with it. As such, I’m not sure I trust it.

JACK: I’m not comfortable about computerized estimating yet either. I prefer the manual system because the computer tends to remove a lot of the personal touch that’s so essential in estimating. When you take off, price and analyze a job manually you get a feel for it just from rolling all the data over in your mind.

DIMENSIONS: I’ve heard estimators say that when you wake up with the plans in your head you know you’re getting close to truly understanding them. Do you go along with that definition?

JIM: Each of us does his own estimating and waking up—having an idea about complex project snap into your mind isn’t a new experience.

DIMENSIONS: What’s the Russell procedure?

JIM: It’s quicker and easier when you have a set procedure. But, every job is different so you can’t always follow a locked-in method. It depends on the job and its requirements.

As with most other estimators, you look at a print at least three times to 1) look it over and familiarize yourself with the details; 2) takeoff, and 3) review and analyze.

Relatively speaking, the first time is a quick step, and the third is also. It’s that second step where you really look deep and carefully.

JACK: It’s the old story, too: If I
get the job, my first question is “what did I miss?”

TOM: I think the description that estimating is part art and part craft is realistic. When you get right down to it, estimating is simple but varies in approach according to the individual doing it. You must be ready to adjust your procedure and way of doing things to accommodate every job.

JACK: This readiness to accommodate change brings us right back to the computer. When we talked earlier, we mentioned still being uneasy with the computer as a tool in our estimating. But, we do know that in order to remain competitive the computer will be needed to be brought into our operations. That’s why the hardware is here—and the software installed.

Again, it’s a tool. We wouldn’t want to be without it in our management and accounting, and I’m certain it has a vital, future role to play in estimating.

DIMENSIONS: Since you brought the subject up again, wouldn’t a simple number cruncher be a benefit right now? You’ve got a lot of work which means you’ve a heavy estimating workload. After all, even accountants hate to add because they make mistakes.

TOM: I suppose so. While times are good, we tend to go along with what we’re comfortable with and when the activity slows a bit we’ll have time to look into it. It’s not a big or emotional issue with us right now: it’s time.

DIMENSIONS: Once you have Accounting functions are handled by Jack Russell, a journeyman carpenter who also holds an accounting degree from Wayne State University.
your bid price worked up, what do you co—from a mangement viewpoint—to assure that the field can perform according to those number and return a profit on the job?

**JIM:** We go over every new job with Tom before it starts. Tom orders materials off the work sheet, but he’s also always rechecking for errors or omissions.

**JACK:** We don’t tell Tom how to run the job in the field. We point out spots to watch out for but we rely on the knowledge and experience in our supervisors and foremen.

**TOM:** When I give the job to my foremen in the field, keep in mind that these men have been with this Company for years and it’s doubtful if they’re going to run into a situation that they haven’t faced-and successfully solved-before.

If there’s an error they’ll spot it quickly.

**TOM:** It’s not all that difficult to walk a job and see what the status is. “Reading” a job is part of the territory.

**JIM:** Most of the foremen for this Company taught all three of us. They’ve been here 20 or 30 years: you don’t need to watch over their shoulders. They know how to bring a job in on the numbers.

**TOM:** We’ve all worked in the field alongside each other. We know who we can depend on for specific functions... the strong and weak points of all our people. We’ve also got a book on every man with a tool and this is mostly from personal experience.

**JACK:** That’s what makes us unique. Any company that can achieve this level of familiarity in their employed—where everyone knows the capabilities of each other—can get some fine things accomplished.

**DIMENSIONS:** You’ve succeeded in carrying the expression “Company family” to the last degree, haven’t you?

**JIM:** After three generations of ownership with people who have been here four decades, you do indeed develop a family orientation.

We’re family here talking with you and in the field we have fathers, brothers and sons working together.

**TOM:** There’s no need for the usual corporate motivational talk here. These men are professionals and they know what the job requires. They can do it extremely well. The discipline is built in.

**DIMENSIONS:** Plenty of room for sibling rivalry?

**TOM:** Sure. It occurs here in this office as well as in the field. Everyone wants to do his best, maybe outshine the other occasionally. That’s why working here is never dull.

**DIMENSIONS:** Still, though, there is the management challenge of finding and developing leadership. Promotion can’t be automatic. How do you find tomorrow’s leaders?

**TOM:** A man either has leadership potential or he doesn’t. Because we tend to put a great deal of trust in our field management, when I see a good prospect on a small job, I’ll take steps to bring him along, let him develop... give him increasing amounts of responsibility and see how he handles it.

**JIM:** Many very capable mechanics don’t want to be leaders. They just don’t want the responsibility. Others fight for it. That’s the kind of people we keep looking for.

**DIMENSIONS:** You say you pat lots of trust in your foremen and supervisors. What’s the Company policy on a field issue such as change orders? Do you let them handle that area on their own or is there a strict company policy?

**JIM:** When we say we rely on our field personnel, we mean it. I hear contractors say they’ll fire a foreman for doing a change without written authorization.

That’s a bit severe and, in my opinion, mostly talk. Yes, it’s good to have a procedure for extras. It depends on the GC.

**DIMENSIONS:** What instructions do you give to your foremen in such contingencies?

**JACK:** They’ve been there a thousand times before. They can indeed handle the situation, act on the basis of their own experience and ability.

**JIM:** We stress time tickets as a
backup. If we do an extra, it’s just as easy to have the superintendent sign it off. Now, we have to collect, but at least we have something in writing. It’s not something that’s been left to memory—and lost.

**DIMENSIONS:** You’ve all been in the field and experienced the situation. But what’s your Company’s approach to the job superintendent who doesn’t quite have his hand on the handle?

**JIM:** There are lots of young inexperienced superintendents out there. In some cases, they’re right out of college and they don’t have all that much field experience. It depends on how they handle their combination of management theories and lack of actual experience.

**JACK:** If they try to hide it with aggression, you have a difficult project. If they desire to learn and assist, you can bring in a profitable job and help him develop.

**TOM:** Look, any job is a matter of coordination. Take the new EIF systems. Customers—and GCs—don’t know anything about this kind of product yet and you have to keep them informed every step of the way.

You want to show good faith early in the job: that’s the main thing. Our concern is people chemistry and by the time we send out foremen and crew we already know the superintendent. You hope for a good match.

**DIMENSIONS:** Turning to money matters, how do you control punch lists, back charges . . . that sort of thing? Often these items—coupled with a hefty retention—can turn a good job sour, can’t they?

**JIM:** We don’t have that many callbacks. Again, it’s the experience of our foremen in the field. When they have a problem they fix it.

**JACK:** As far as back charges are concerned, we make certain right at the beginning how these details are to be handled and then adhere to that understanding.
DIMENSIONS: And collections? Do you also firm up the arrangements here as well as retentions?

JACK: You can’t very well do much about the retention. The contract should be clear when and under what conditions the retention will be held.

As for managing the accounts receivables, I oversee the Company’s money matters. Promptness and follow-up are the keys to managing your cash flow and accounts receivables.

I usually call my customer’s accounting department 15 days after the first billing and set up the procedure right there.

JIM: The AIA contract says 30 days but it’s not unusual to wait 60 to 90 days. Once the flow starts, though, we want it to be kept on that cycle . . . no deviations.

JACK: That’s right. Oh, some fluctuation may be acceptable but nothing drastic.

DIMENSIONS: With whom do you talk . . . the GC himself or his accounting department?

JACK: My first contact is almost always with the individual handling the billing on the other side. On a possible bad pay situation, I contact Tom who has the option to adjust his manpower in the field accordingly.

JACK: On a slow pay, I make a check and get the account history and follow up with persistent calls. I’m cautious about getting tough because there are other avenues available to us before we do anything radical, such as filing a “Notice of Furnishing” and “Notice of Commencement.” In this market, even if a GC stiffs us, the owner or architect is still liable.

DIMENSIONS: And new customers . . . those with whom you don’t have a working history? How do you approach these people?

JIM: Cautiously. You take your chances with any new customer so it’s worth your time to check him out.

JACK: Sometimes, of course, you don’t have the time or chance to check him out thoroughly so you must decide if you’re going to take the chance. It’s a crap shoot.

TOM: Detroit is a hot market, right now, so many out-of-town GCs are coming in.

JIM: There’s no set procedure on our part. Depending on our work situation, our backlog, and our feelings at any time, we may or may not want to work with them.

DIMENSIONS: You have a third generation company that is busy, a market that is hot and all three of you have been in this business in good times and in bad. What do you see as the future?

JACK: Lots of renovating coming up. Design changes in existing buildings . . . it used to be glass and steel but you’re seeing more design originality.

In plans now you see more plaster glass, EIF, archways, Cornices and molds.

TOM: The shift is rather substantial, but I don’t think you can call it a revolution . . . more like an evolution.

JIM: The change is taking place slowly, but there’s still a lot of owners and speculators out there who want an inexpensive building with quick turnaround for immediate occupancy.

JACK: Still, many offices are looking for a design gimmick to win the rental war, catch the renters fancy. And with the current overbuild in office buildings you may see more of this in the next few years, especially in older buildings that need extensive renovations to keep up with the newer designs.

JIM: In any event, whatever comes up in this market, you can be sure we’ll be around bidding on it.