

The Selling of a Company

Illinois Herb Lemke Started Out Selling to Contractors And Now Sells His Drywall Company's Ability to Perform Well and Do Quality Work



The championship bowling trophies are stood on the mantle with care, evidence that construction isn't Drywall Interior's only quality accomplishment.

The key to it all, Herbert H. Lemke will tell you, is in the selling—of your company, its people, its ability to perform—but mostly selling the company's reputation itself.

For Herb Lemke, the selling part comes easier now. It was establishing a top performance capability and then maintaining this reputation over the years that took work.

Today, Drywall Interiors, Inc., of 360 Bennett Road, Elk Grove Village, IL, enjoys an enviable reputation in the residential and commercial drywall market. And Lemke is quick to emphasize the importance of this industry recognition for keeping Drywall Interiors rolling along with a \$3.5 million a year volume.

Reaching for top performance is a reflex action for Herb Lemke. Born in Oak Park, IL, son of the late Henry J. Lemke, a superintendent for a large screw machine business who later set up his own business, and the late Dolly Booth Lemke, Herb graduated from Chicago's Steinmetz High School where he played football.

Later he worked as a salesman and attended Northwestern University night school, studying business administration. His job as a salesman for floor sanding equipment and portable tools ultimately took him to 3M where he became one of three general line salesmen.

This job, selling the entire 3M product line, provided him even greater contact with construction contractors. Throughout the late 40s and early 50s he covered Wisconsin and Illinois. By 1953, he was ready for another move and this time he formally entered the construction industry, going to work for the Juell Floor Company and Juell Drywall Company. It was here Herb refined the estimating skills and print reading he'd done in the screw machine business.

After nine years of doing take offs and running jobs for Juell, Herb opened up Drywall Interiors. He's never looked back since.

His company—then as now a unionized residential and commercial specialist in commercial drywall and metal studs—started quickly enough because Herb already had high-rise experience from a series of jobs in Chicago. By 1964 his company had progressed enough that it was the drywall contractor on Hoffman-Roosner's 339 Barry Building, the first condominium in Chicago.

Married to the former Sandra Kochhanski, of Des Plaines, IL, Herb and his wife make their home in a modern house in the Barrington area of Inverness, IL, about a half hour's drive from his company's industrial park headquarters. Since 1968, Drywall Interiors has been located in a 5000 square foot one-story brick building which doubles as an office and warehouse.

DIMENSIONS: Herb, in an era of diversification you obviously have taken the route of specialization. That is, your company offers drywall and metal studs only. How can you sustain yourself when so many contractors insist the single-service company is a relic of the past?

LEMKE: We're a long ways from relic status. In fact, we've been very fortunate from the start.

We built a reputation as a quality contractor and have tried our best to maintain this earned reputation. Consequently, it keeps us alive and working.

DIMENSIONS: But how can you explain your ability to turn good profits every year in a strategy that goes against the grain of so many others in the wall and ceiling industry?

LEMKE: A lot depends on how you operate and the kind of people you employ. Your company personnel are really an extension of yourself. Your company puts these people in the field and if they have the same thoughts and attitudes you have you can operate a decent, profitable business.

That comes across to clients or customers and one-service or not you have an edge that's hard to beat. Our company is doing precisely what we want to do . . . we do it in the way we intend to do it . . . and we don't have any trouble keeping up our volume or backlog.

DIMENSIONS: You came into the construction industry as an estimator/salesman. How does your company utilize its estimators . . . as technicians or as estimator-salesmen?

LEMKE: Our estimators' primary function is to do a quantity takeoff and then I price and go out and sell the job. I will sometimes take the estimator of a particular or complex job along for verification on various elements in the plan and to explain details with which he's more familiar.

But I do the selling.

DIMENSIONS: Why are you so emphatic on doing the selling yourself?

LEMKE: Other contractors may handle it differently. But because it's my risk I'd rather not have someone else assume what I feel is my responsibility.

Look at it this way: If I decide to negotiate a contract and must negotiate harder than normal or perhaps know when to get up and walk out, then

“Your company personnel are really an extension of yourself . . . (and) these people in the field and if they have the same thoughts and attitudes you have you can operate a decent profitable business.”

that's my decision. You couldn't expect an employee to do that.

DIMENSIONS: And I take it you do walk now and then?

LEMKE: Absolutely. As a matter of fact, we're very choosy with whom we do business. If the customer is unknown to me, I try to get some information before we go in and do any

negotiating . . . whether he'll pay . . . what his past record is . . . what other subs know about him.

DIMENSIONS: Where, in your experience, is the best source of such information?

LEMKE: Well, we are members of the Chicago chapter of the American Subcontractors Association. ASA

members share vital information and we have a credit interchange. Any ASA member can set a reliable line on 80 percent to 85 percent of the general contractors who are working in the Chicago area.

At the same time, we have personal contacts with numerous other subcontractors, and we can get additional information from them. Then, too, we compile our own information. I've got my own book that I've kept up over the years . . . things I hear . . . notes I pick up at meetings . . . you know, what I hear about GCs.

All of this information is weighed in deciding whether or not to do business with someone. Let's face it. You can listen to sour grapes but in the end you have to make your own decision.

Despite our care, we still get burned once in a while. Still, even a few bad experiences doesn't mean we'll give up trying to avoid getting taken in occasionally.

DIMENSIONS: The risk of the

business you're in, right?

LEMKE: Completely. Truth is you usually don't really know your costs going in. Oh, you hope you do but you really have to watch it . . . all the details on the plans.

For example, some of this large tract residential work you get into nowadays. Why using 3-4-5 sets of scaffolds in each individual unit . . . often because of so much high work and unusual design elements.

DIMENSIONS: Why would these be so much diversity of scaffolding in an ordinary house job?

LEMKE: With some of the tract builders working today it's not at all unusual to be dealing with bedroom sections going up to 12-16 feet . . . tray and/or coffered ceilings . . . cathedral ceilings.

To do the work, you've got to get the hanger and taper up to the proper working height and you can't continually disassemble your scaffolds for each room. You have to put in more

scaffolding so the mechanics don't have to take all the time setting up and tearing down.

DIMENSIONS: So your strategy is more scaffolding . . . more types . . . rather than move or disassemble and set up again?

LEMKE: For the most part, yes. Now you can use a utility or similar type scaffold but it depends on how large the area is. If we have a large area we set up regular bricklayers scaffold 5x10 feet-unit scaffolding. We use utility scaffolds for smaller rooms up to 12-14 feet because you can often roll them in and out of doors.

In large area, though it's different so you adjust your scaffolding tactics accordingly. We just did a residential job with an enormous round library. What we needed here was to scaffold around the entire room. I'm talking of a residential ceiling that was 24 feet high. That's more than two stories high!

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DIMENSIONS: So how did you do it?

LEMKE: We used unit scaffolding and rolled the towers around the room. As extensive as that particular room was, keep in mind that we do custom homes that are often just as tough on their scaffolding requirements.

DIMENSIONS: So even in residential home building, scaffolding can have an enormous impact on profits?

LEMKE: Scaffolding isn't so critical as to spell profit or loss on a job but handling it wrong can cut deeply into your profits. If you can't get your men up to the work easily where they can work productively, then your failure will definitely show up on the bottom line.

DIMENSIONS: Do you have special scaffolding mechanics or crews... or

do your men handle their own scaffolding?

LEMKE: Most of our mechanics are trained in scaffolding, and that holds true for contractors in the area: their people have been trained to handle scaffolding safely.

Much of this training, of course, takes place right on the job. We have top superintendents in the field and we distribute safety brochures all the time to assure that the scaffolding is handled properly and safely. A newcomer will always be assigned with a journeyman so they're forced to learn from experienced, knowledgeable people.

DIMENSIONS: **The unions in this area help out with the scaffold training, too, don't they?**

LEMKE: Yes. The carpenters and tapers unions operate schools here which are teaching scaffolding as part of the drywall course. The schools emphasize safety and scaffold assembly because it's such a vital aspect of the trade itself.

The carpenters school is already operating for high rise mechanics and is now getting underway with a similar program for residential mechanics. The tapers have also been teaching for several years.

DIMENSIONS: **Despite all the complaints, OSHA has exerted a beneficial effect on safety, hasn't it? I mean, more and more contractors and mechanics are increasingly safety conscious?**

LEMKE: Absolutely. Today you must be as careful as you can and make effort to instill safety mindedness in your men. It only takes a momentary loss of concentration to have an accident and that's what you want to prevent. From a purely common sense viewpoint, you want that man working-not in a hospital.

DIMENSIONS: **It's the consistency of safety programs that pays off, isn't it? I mean you keep ever lastingly at it?**

LEMKE: You have to keep at it because safety is an ever present need. Our superintendents harp at the men and tell them what's needed for safety. As I mentioned earlier, we have roving superintendents and even our foremen emphasize the safety factor . . . all in the interest of avoiding accidents.

DIMENSIONS: **Are you satisfied with your company's record, Herb?**



Drywall Interiors' Herb Lemke came into contracting via the salesman's route, and he's still at it—selling the reputation of his company.

LEMKE: No contractor should ever be happy with his safety record. A single accident is one to many. We've had good years and some where we couldn't classify as great. I strive for the perfect year, following a Perfect year.

DIMENSIONS: **Let's turn to job controls, please? What strategy do you follow to assure that your bid number is consistent with job performance?**

LEMKE: As soon as we're awarded the job, we sit down to a company pre-job meeting. This includes our two field superintendents, the estimator, myself. If necessary, we'll even bring in the foreman who'll be assigned to the job.

That's the time when we talk the entire job out. Before we get started is when I want to deal with pending problems . . . feel them out before we even encounter them . . . try to eliminate the avoidable situations before they occur.

Only by recognizing certain problems we know we're going to have and by trying to eliminate them will we be able to get moving on the job immediately.

DIMENSIONS: **In preparing the estimate does your estimator visit the job site as a routine matter . . . even when it's a new job coming up out of the ground?**

LEMKE: Does our estimator visit the job site as part of his estimate? The answer is yes.

If, though, he's taking off on a plan he often anticipates what the situation will be and how to accommodate it. Most of the time in construction it's just plain experience that is our best guide.

I mean you know approximately what you'll encounter and what the conditions will dictate.

DIMENSIONS: **That would be**

especially true in the case of high rise buildings, wouldn't it?

LEMKE: Well, we no longer are heavy in high rises in this market. We work up to eight to 10 stories but nothing higher.

As for putting experience to work, I have one superintendent, Art Palicki, who's been with me for 26 years and another, Elmer Savage, for 19 years. If there's a problem that Art, Elmer, or I haven't encountered, I can't imagine what it would be. Between us, we usually have the answer.

DIMENSIONS: **You place a lot of value on the experience of your superintendents?**

LEMKE: And for good reason, too. They're both accomplished People in their own trades. Art is an experienced taper who learned both taping and hanging while Elmer is a journeyman carpenter who has specialized in steel framing.

With that kind of talent backing you up, not too many things get past us—and it's why we specialize in drywall and metal framing. We know this business well and that spells successful job completions.

DIMENSIONS: **Has your company moved to the computer? Do you make use of a computer in your estimating or job accounting?**

LEMKE: No, our paperwork is done manually. We've done it successfully that way for years and I detect no deficiency in our operations that justify our changing . . . either in the estimating or the job costing.

When I look at some of the problems the computerized contractors have encountered I wonder about the so-called advantage of the computer. After all, if the Power goes down, our pencils are still working . . .

DIMENSIONS: **And you feel that you get adequate job information and data that would be required of a multi-million dollar business?**

LEMKE: We get what we need in the way of information and reports just as quickly and accurately as do those contractors with computers. We have weekly time slips and our office people enter the information and total it at week's end.

I get a report weekly on job progress, and we can look at our jobs and see where we stand within a day.

DIMENSIONS: On the subject of keeping updated on the progress of various jobs, do you still walk your own jobs or is your role in the business now one strictly of office management?

LEMKE: Earlier I was always visiting jobs. These days I depend on my supervision to walk the jobs . . . unless, of course, there's a special problem or condition. Then I'll go out and survey the situation. With the way my business is set up now I concentrate strictly on management. After all, I have good people that I can trust and depend on. When you have key people with that many years of experience and maturity working for you, you know they're going to operate in a manner consistent with the company approach.

I often refer to the truism: If you have the right people you can make a poor business good and a good business great.

DIMENSIONS: Yet despite best management and planning some jobs just go sour. What's Herb Lemke's philosophy on that?

LEMKE: About the same as it is with most contractors. You hang in there, get your best men on the job and tell them you need help to get it out.

Then push the work out and get out of there as fast as you can. Every contractor knows that sometimes you gotta swallow the pill.

DIMENSIONS: In your experience, what is it usually that causes job to go bad?

LEMKE: I'm not certain if there is an answer. The reasons vary. We just had a bad one, trying to make condos out of an old warehouse. We went in with what we thought was a good figure and didn't realize some of the problems we encountered.

We simply ran into things that hadn't been anticipated. So, we finished as quickly and as well as we could—and got out. Fortunately, it wasn't a big job, just a bad one . . . one that makes you think a little more carefully about the next one.

DIMENSIONS: Doing the work is one thing, getting paid for it is another. Who is responsible in your company for your accounts receivables?

LEMKE: When it comes to responsibility that has to be me . . . the contractor.



Surrounding Lemke (2nd from rt.) are the key estimating and supervisory talent that keeps the company rolling, from left: Art Palicki, Erwin Zeunert, and (rt.) Elmer Savage.



A quality company keeps up its reputation with the appearance of its personnel and of its equipment. All company trucks feature the same design theme.

As for the collection duties and routine administration of our receivables, we have a competent female employee who does much of the initial calling on late payers. On some of the larger accounts I often make a phone call because I've known the customer's personnel for years and I can more easily flush out problems. Then we can decide on where to go from there.

DIMENSIONS: Collecting money has often been described as an actively with no rules and common sense. Do you go along with that?

LEMKE: Oh, yes, I would agree with that. Every contractor has been caught both ways . . . whether to get hard nosed about a payment or go easy.

Sometimes, even though you know better you give the other fellow a break

and he stiffes you. Every contractor has a tale or two like that . . .

The best strategy is try to protect yourself. Watch carefully with whom you work and then later if it means going for a lien or a lawyer, you follow whatever strategy works. If that involves being a nice guy today and a mean one tomorrow, then so be it.

I've never been reluctant about demanding payment. We did the work. If we do a quality job and give good service then the only responsible conduct that the GC can follow is to pay us.

DIMENSIONS: You've enjoyed good business conditions for the past couple of years. Where do you see the Chicago market going in 1989?

LEMKE: It's true . . . 1988 was a very good year. We were all slow in the early 80s. In 1975 to 1977 we were consistently running 100 men but then it slowed down and stayed slow until 1984-85. It's been rather good ever since.

As for this coming year, I think it



will be relatively similar to 1988. But if mortgage money and prime rate keeps jumping as it has these past couple of months, then I see a quick slowdown in Chicago.

DIMENSIONS: Then you haven't noticed any appreciable slowdown in the residential market here?

LEMKE: No, nothing too much in residential. It's still holding well. NOW the commercial seems to be slowing down.

DIMENSIONS: Does the commercial slowdown auger well for the industry as a whole?

LEMKE: Well, it certainly isn't a positive omen, but who really knows what it means?

When the commercial market slows or bottoms out it seems that the residential market follows into a downturn about 10-12 months later.

At least it's been that way in the past.

But for right now, the market is strong, we have a good backlog and I don't see any reverse around the corner.

