
Up Close and Personal



John Thompson and his company have played a prominent role in Atlanta's rise to a major economic metropolis of the south.

That's the way Atlanta drywall contractor John Thompson does business, believing first-name relationships with customers, suppliers, and crews is the key to success,

John Thompson, president of E.L. Thompson & Son of Atlanta, Georgia, says "flexibility" is the most unusual thing about his company. The firm is able to cover the entire southern United States because, Thompson says, "we're people oriented and maintain close relationships from our general contractors, to our suppliers, to the local crews we hire on a per-job basis."

Being a "people person" is why Thompson joined the company his father Edwin founded in 1934. An Atlanta native, only in his senior year at the University of North Carolina did Thompson decide to enter into hints with his father.

"I was interested in the business world," recalls Thompson, "but most of all I liked working with people. I'd had summer jobs working for my dad. But when it finally came time to decide what to do with my career, I thought

the family business was an exciting opportunity to do business in a people-oriented environment."

Thompson came aboard in 1966 as an estimator, and moved to president six years later when his father became chairman of the board (Edwin Thompson retired in 1980). Over the years he has seen the company's annual volume grow to nearly \$20 million, and its workforce average 300 with a peak payroll of twice that number.

The firm's projects, about 10-12 per year, are all commercial and institutional buildings—chiefly hotels, offices, and hospitals. Thompson admits "though the competition for our type of work is brisk, we're not geared for small projects." Services provided by the company include drywall, plastering, fireproofing, curtain wall systems, and acoustical tiles.

Now 46, Thompson has been mar-

ried 23 years and has two college-age daughters. A long-time AWCI member and avid outdoor sportsman, Thompson confesses "I sure don't mind that cultivating good customer relations requires a game of golf or tennis, now and then." In addition, he and his wife find traveling and scuba diving special pleasures.

In this special interview, Thompson discusses how he solves basic problems faced by all contractors—but often under unusual circumstances for some unique projects.

DIMENSIONS: What's the most unusual thing about your company?

THOMPSON: I think it's the way we maintain the flexibility to cover our sales territory. Even though we do work throughout the Southeast, our people know the individual areas as well as the local contractors do.

DIMENSIONS: To get work throughout such a wide area, you must either do a great deal of bidding, or must get a lot of referrals.

THOMPSON: The majority of our projects we obtain through referrals, rather than through bidding. We've developed close relationships with general contractors who do business nationally. When they have projects in the Southeast, they know our company and ask us to bid.

The key is maintaining good relations with our GCs. Though initially we bid the job, in the end the price usually ends up being negotiated. Maybe just two or three contractors are bidding—so if prices are close, then hopefully the GC's familiarity with my company breaks the tie.

I do a lot of entertaining to keep my relations with GCs on a friendship basis, close and personal. That's one reason why I like the construction business so much—because it's people oriented. I have relationships with GCs that go back many years—guys my own age, where we've watched each other grow up in our careers together.

DIMENSIONS: What happens if one of your regular customers retires or goes out of business? Since you rely on repeat business from certain GCs so much, does that really hurt you?

THOMPSON: We're always cultivating new customer contacts. By getting to know the up-and-comers within a company, I can follow them when they reach the top, or when they change firms.

In fact, that's my primary role at my company. I'm responsible for securing new contracts and for customer relations. I also keep a hand on management and operations, of course, but it's up to me to put a face on the company for our customers.

DIMENSIONS: You mentioned your prices usually end up being negotiated. Does that mean the GCs are shopping your bids?

THOMPSON: No, it's just that there's usually a small number of pre-qualified bidders on the types of projects we do. In a situation like that, prices can be fairly close, so all things being equal, the GC prefers to work with us because they've done so before,

and we're a known quantity.

Unfortunately, it's getting harder and harder these days to get contracts on that basis if we're not *the* lowest bidder, rather than "in the ballpark." The GCs are letting the owners get into their business, so the owners are often calling the shots.

DIMENSIONS: What do you mean?

THOMPSON: Things are so competitive, GCs will do almost anything to get contracts. So they let the owners see how their prices break down. The owner is now in a position to force the issue and see all the subcontract bids.

When that happens, the owner can tell the GC, 'That subcontract price is too high. Go out and shop for a lower one.' The owner has no feeling for the GC's need to assemble a construction team he's comfortable with.

Owners only care about the bottom line. So I've got GCs coming to me and saying, "Look, we've been told to get a certain number, and if we don't get it then we'll have to re-bid." As a result, I've got to cut my margins to the bone.

The GCs have got to stop this trend—maybe collectively, through the Associated General Contractors. And I think they're starting to see the need for this, since so many GCs are getting burned by subs the owner forced them to use.

DIMENSIONS: We've talked about how your company gets contracts. What about *after* your price is accepted? Do you have your own subcontract form, or do you usually sign the GC's form?

THOMPSON: We sign the GC's subcontract form. Many of them use the AIA (American Institute of Architects) forms, which are pretty fair. But since we have such good relations with our GCs, very seldom do we have problems with contract language.

I've dealt with these GCs so long, I know what to expect from them in their business dealings and job conduct. I know they'll be straight with me, or else we wouldn't be doing business. In fact, I usually don't even run contracts by my lawyers, since our company is so selective about the GCs we work with.

DIMENSIONS: Does your company always work as a subcontract? Or do

you ever perform prime contracts under construction management or "fast-track" types of arrangements?

THOMPSON: No, we always work as a subcontractor.

DIMENSIONS: Once you sign a contract, you've got to staff the job and hire the help. Do you maintain a permanent full-time workforce, or does your company hire crews on a per-job basis?

THOMPSON: Given the large geographic area we cover, it's not real practical to send a permanent full-time workforce traveling throughout the Southeast. So we hire on a per-job basis, usually about 85 percent from the local area the project is in.

We have about 20 job superintendents, all of whom have come up through the ranks in our company. So they know the construction business real well, and I feel quite comfortable leaving the hiring function up to them.

I like construction so much because it's people oriented.

Our supers don't have geographic territories. When a new job comes up, the superintendent assigned usually depends upon who is available. Most of our supers are based out of company headquarters, through we have a few who live in Florida.

Because these men have been through the ranks, they're very well respected in the industry. So each job superintendent has pretty much developed a following of people he can call on to go with him and get a project started. Once the project is started, then the super can round out his hiring with local labor.

DIMENSIONS: A few months ago, your company switched from a union to a non-union operation. What prompted that move? And how will it affect your hiring practices?

THOMPSON: First, let me make one thing clear. We didn't go to an open shop because of any disaffection with the union. Our company had been with the local carpenters union for

more than 50 years, since the very beginning. We looked upon the union as a friend, and on many occasions the union went out of its way to be a friend.

Our company always had a very good relationship with the union, and we left them on a friendly basis. But things in our market had gotten to the point where we could no longer be pricecompetitive as a union contractor. It simply was no longer possible for us to pay union wages, and still be able to secure work.

As to whether being an open shop will affect our hiring procedures, I don't think so. I'll still be depending upon my job superintendents to staff their jobs in the manner I described earlier. That won't change.

DIMENSIONS: Crews need the right tools to do the job. How does your company handle its equipment needs?

THOMPSON: Most of our equipment we own. After all, in the wall and ceiling business there isn't that much heavy equipment of the type you might rent. The only thing we need to rent sometimes is scaffolds and lifts.

Another reason we prefer to own our equipment has to do with the areas we work in. Many of our projects are resort properties, and in resort locations there usually isn't any construction equipment available to rent.

DIMENSIONS: If you own your equipment, do you also stock your own buildings materials?

THOMPSON: No, we don't inventory building materials. The company deals with regional suppliers whom we know quite well. In my opinion, it's critically important to be very careful about your suppliers.

If a supplier can't operate on our schedule, that really can put us in a hole. Working on resort locations often puts us in very awkward and difficult surroundings, so that supplier delays can be a special disaster.

DIMENSIONS: With the often unusual demands of your projects, your company must have fairly strict procedures for monitoring job progress?

THOMPSON: Yes, we do. Our project managers stay at the home of-

face, and every two weeks they submit jobcosting reports. To do this, the company is fully computerized.

These project managers report to me. So with their job-costing reports and a copy of the project schedule, I actively review the progress of each job. Unfortunately, reality dictates that when I get involved in a project, it's usually the bad ones.

The biggest problem I run into stems from the way the GC scheduled the work and put the project together. Ideally, the GC has organized things so my company can do an entire building floor in one pass. But what happens is that faulty scheduling by the GC forces us to do a "patch job," where our crews have to visit a floor five or six times.

Usually this is because of the qualifications of the people running the job for the GC. Often, these people are green and right out of college. The

Southeast is a booming area, so the GCs are forced to use inexperienced people.

When I see there could be scheduling problems, all I can do is keep my workforce at the job to a minimum. That way I've got less labor costs tied up when things go bad.

DIMENSIONS: Do you get many change orders? How do you handle changes when they arise?

THOMPSON: Changes can be good or bad. Sometimes a change is what's needed to get a project back on track, but other times a change can amount to so much counterproductive dithering around. But I can say that when a job has *many* change orders, then that job has coordination problems.

We're very careful about pricing change orders-and we're very careful to put them in writing, and get them signed, before we do the work. It's extremely important to follow through on



With his key people, Vice President Max Silver, left, and Chief Estimator Bob Willis, right, Georgia contractor John Thompson keeps his company among the leaders in the southeast's active construction market.

change orders while you're still on the job. Because if you don't, after the job is over the owner will want to settle up for a percentage of your claim.

DIMENSIONS: Speaking of "settling up," do you experience many problems with slow pay?

THOMPSON: Not really, even though most of our subcontracts have pay-when-paid provisions. We're selective about the GCs we work with—and even though some have problems paying on time, if we know by experience that payment *will* come, then it's okay.

However, our company still does make an effort to stay on top of the payment situation. If a payment is late, we get on the phone. The GC is usually happy to release the check when we

do call. But if we don't call, the matter stays out of sight and nothing is done—not because the GC is out to rip us off, but because things have a natural tendency to "slide" when nobody says anything.

Another thing we do is ask our GCs about the owners, which we can do because our company has such a good relationship with the GCs. Especially in resort construction, the owners can often be the types that take big risks and could go under.

But when you come right down to it, we have to trust somewhat that our GCs only deal with good owners. As I've said before, my company is selective about our GCs—and one of the things we look at is the GC's ability to

choose good customers.

Let's say I go to a GC and ask about the project owner. If the GC says, "You don't need to know," then I tell that GC, "We don't need to know you."

DIMENSIONS: You place a lot of emphasis on keeping up with people and with the industry. Is that why you're involved with AWCI?

THOMPSON: Absolutely! My father was a member even before it was called AWCI—and I've been a member since joining the company. It's a tremendous benefit that, through AWCI, I can get to know my competitors on a personal basis—since the wide geographic range of my work means I'm always running into them.

But I also really appreciate the way AWCI helps keep me up to date on products and technology. We're a fairly high-profile company because of the jobs we do, and we deal with high-powered GCs who are a force in the construction industry on a national basis. So being on top of things is a "must" for me.

DIMENSIONS: So what's ahead for you and your company?

THOMPSON: The company is in a good growth period, and now that we're open shop the company should be more competitive in more markets.

As for myself, I have two daughters in college, both of whom are unlikely to join the company. So I'll work another ten years or so, and then take the opportunity to improve my golf game. 