

Taking Lessons from a Tech Book

DPR Construction Mimics Silicon Valley Strategies

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This company has all the trappings of Silicon Valley success: outlandish growth, Democracy in the trenches, executives in open cubicles, even the Friday afternoon beer busts. But DPR Construction Inc. is focused on bricks and mortar instead of bits and bytes. The company has risen from out of nowhere over the past decade to become one of the major construction firms for the stars of Silicon Valley, building major projects for Apple Computer Inc., Intel Corp. and Sun Microsystems Inc. among others. As of last year, DPR's revenue totaled \$1.3 billion, 46% higher than 1997 and a nearly eightfold jump from five years ago. That growth rate, reminiscent of some successful Internet firms in the valley, is unprecedented in the construction business.

Along the way, DPR has adopted many of the culturally progressive attributes of its customers, setting it apart from the more-conservative nature of many contractors. The company, for example, makes its hard hats stretch before each shift, contributing to one of the lowest injury rates in the industry. And project teams convene monthly in "stand-and-deliver" sessions, where managers spend as long as four hours scrutinizing the teams' progress and debating needed changes. As a result, DPR has earned what analysts call one of the best on-time performances in the construction industry.

## Setting the Trend

“They definitely are a trendsetter,” says Hoyt Lowder, senior vice president of FMI Corp., an industry consulting firm in Tampa, Fla., “Whether you are competitor or a subcontractor, they obviously have had a significant impact in the.”

The success hasn't come without controversy. Some contractors complain the company undercuts them on bids, while raiding employees their firms by offering higher salaries. The loudest criticism comes from Rudolph and Sletten Inc., a rival in Foster City, Calif., from which all three of DPR's co-founders resigned as senior executives in 1990. The men, Doug Woods, Peter Nosler and Ron Davidowski (DPR was named after their first initials), say they left Rudolph and Sletten after its founders reneged on a promise to eventually turn ownership over to the employees. However, Oslow Rudolph, Rudolph and Sletten, chairman and co-founder, denies that and says the men blindsided him with threat to resign effective immediately unless he signed an agreement not to sue. “I told them to clean out their desks and leave,” says Mr. Rudolph, who adds his firm sued the men in state Superior Court here for allegedly taking confidential documents and raiding his staff. The men denied the charges, but settled the case in 1995 for \$7.1 million, including interest. “I wouldn't want their reputation,” says Mr. Rudolph.

That reputation is mostly sterling, though, to the legions of customers for whom DPR has constructed everything from data centers to fabrication plants since the three co-founders pooled their savings of \$750,000 to found the company. The reserve was almost depleted when the trio got their first big break in 1991: building an experimental plant for Scios Inc., a biopharmaceutical firm, in Mountain View, Calif.

Seeking to impress the client, the partners decided to take on a process known as validation, in which such facilities must be validated to conform to Food and Drug Administration rules. The validation normally takes as long as four months to be complete and is done by the user. But by incorporating validation into the construction; such as measuring clean rooms purity after it is built; DPR was able to cut that time by half. The company went on to secure more biotechnology jobs.

“We picked up the lingo and marketed ourselves as having superior knowledge in that field,” says Mr. Woods, DPR’s president. Mr. Nosler is chief executive officer, while Mr. Davidowski is corporate secretary.

The next stroke of good fortune came in 1994, when DPR landed a \$40 million job to build a new semiconductor plant for a Rockwell International Corp. subsidiary in Newport Beach, Calif. Although the young company had never undertaken such a project, the three co-founders impressed Rockwell by finishing the project on time, within four months. “We were working seven days a week, practically 24 hours a day,” Mr. Nosler says, adding that the company was then positioned to capitalize on a chip-manufacturing boom. It has also cashed in on the more recent Internet craze.

#### A Blown Deadline

DPR’s emphasis on speed has sometimes backfired, though. In 1993, the company initially figured it would have little trouble tearing down and rebuilding an office building for one unidentified computer

company. However, the construction team later discovered an electrical power system in the building that it hadn't expected. DPR ended up having to pay \$20,000 of its own money to demolish the system, and blew the project deadline by two weeks. Such lapses have been relatively few, though. DPR officials say they find themselves scrambling to meet requests as hurried and outlandish as the high-tech companies they represent. "The most frequent requests are Can you give me this yesterday?" Mr. Nosler says. "And we never say no."

One reason DPR is able to meet so many of its deadlines is that its practices emulate those of the computer industry. The company's project superintendents, for instance, carry laptops and wireless hand-held computers to the work site, still a rarity in the construction business. DPR also uses its own Internet-collaboration software on projects. As a result, all participants on a job, including subcontractors, architects and the building owner, can go to a DPR Web site to access specifications, drawings, photos, and even weather reports.

"I'll get an e-mail from the superintendent that we need to resolve an issue by the end of the day and it involves half a dozen people," says Joe Golgosky, senior facilities engineer for Advanced Micro Devices Inc., which has used DPR on several jobs. "The old way was he would have to get on the phone and call me and I'd have to relay back what my people told me. That could take a day instead of an hour."

DPR even looks like a computer company. Its sunny offices here are designed in the same open-cubicle manner as companies as Intel and Sun. Conference rooms are irreverently named after deceased musicians, including Buddy Holly and Patsy Cline. And all of DPR's offices, including the 10 regional ones across the country, contain bars for the weekly beer and wine sessions.

But just as with the computer industry, there is no guarantee DPR will stay on top. Competition is fierce, and there is always the threat a protracted slowdown in technology could stunt DPR's growth rate. For now, though, analysts say the future looks bright. "It really is an incredible company," says FMI's Mr. Lowder.