Small is Beautiful—and Profitable

In New Hampshire, Tom McCartney Proves That Careful Planning, Execution—and a Readiness to Give Something Back Are Essentials

You don’t have to be small to be big—but it helps.

Take Thomas J. McCartney, president of T.J. McCartney, Inc., of Amherst, New Hampshire, as a for instance. By his own standards and definition, his company is small business—at $4 to $5,000,000 a year annually.

Yet the company that Tom and his business associates, James Morrissey, established six years ago now enjoys an enviable reputation in the Northeast, and is rapidly diversifying from drywall and insulation into demountable partitions, while maintaining a capability in plastering and spray fireproofing.

As for Tom McCartney, he’s well-known throughout the wall and ceiling industry. He was one of the leaders in developing the Wall and Ceiling Foundation and the industry’s internationally respected library. He is currently chairman of AWCI’s influential Continuing Study Council, vice chairman of the headquarters committee, and also serves as treasurer of the Foundation as well as chairman of the Foundation’s auction committee.

In addition to his AWCI involvement, Tom is also a member of the National Federation of Independent Businessmen, American Arbitration Association, the Small Business Association of New England, and a director in the Boys Club of Nashua, New Hampshire.

Involvement is not something new to Tom McCartney. Born in Albany, NY, son of George McCartney, home builder and real estate and insurance executive, and Mary Mack McCartney, Tom was active in baseball and football at Christian Brothers Academy. Later, he graduated from Westchester College, White Plains, NY, followed by a four-year hitch as a U.S. Marine Corp fighter pilot, flying F-J4 carrier jets.

Upon his 1959 discharge, Tom went to work in Albany as a gypsum salesman for the Ruberoid Company. He later was with National Gypsum Company, then in construction itself for Eastern Drywall, before starting National Partitions with Dick Connor.

In 1976, he made the final step, setting up his own company. It’s been up hill ever since.

Tom is married to the former Maura McEvoy, of New Rochelle, NY, and is the father of five children: David, an estimator with the company,
“My whole business life has been in the gypsum industry and it’s been good to me . . . beyond my wildest expectations . . . and I feel duty bound to give something back. That may sound a bit pompous, but I believe that.”

Mike, a meteorologist who works in computers. Chris, a bank employee, and Mary and Susan, high school students.

DIMENSIONS: Tom, by your own definition, you are a small businessman yet your impact on the industry has been . . . well, significant. Why and how?

McCARTNEY: My whole business life has been in the gypsum industry and it’s been good to me . . . beyond my wildest expectations . . . and I feel I should give something back.

Then, there is some selfishness, I suppose. My involvement in the association provides me with much more than I bring into it. From the standpoint of education, I have the ability to communicate . . . to relate . . . with my colleagues on just about any problem in the business. What a tremendous personal benefit that is.

DIMENSIONS: Do you feel your participation has added to your business . . . its success . . . profits . . . volume . . . that sort of measurable thing?

McCARTNEY: Absolutely. We’re a good example of what an association can bring to a small company. It puts us on a par with the big guys—and don’t think for a moment that it doesn’t.

My business associate, Jim Morrissey, is chairman of the Northeast Conference this year. He travels to Europe and throughout North America. I went with CSC to Germany and Austria in November. We meet people all over the world . . . and they’ve contributed to our business success.

DIMENSIONS: I realize this sounds like a membership recruiting question, but how have they contributed? What are these direct benefits?

You don’t need to be a big contractor, says Tom McCartney at the door to his headquarters—but you do need to work smart.

MCCARTNEY: There simply isn’t a technical or management question in this business for which I can’t obtain a well-reasoned answer from a top notch professional who has probably already faced the same problem. What’s that worth? Plenty.

I’m talking about Bob Watkins, Mun McNulty, Ron Gregory, Tom McGloney, Jim Biddle or the late John Thomson: these represent the industry’s elite . . . the top . . . and any one would go out of his way to help you—or just plain be nice to you.

DIMENSIONS: So, name the problem and you have someone to answer it?

McCARTNEY: Simple as it is to say, that’s it. You aren’t alone when you’re in the association. The biggest benefit is the member.

DIMENSIONS: —and the accusations of cliques, that the organization is run by a chosen few—
McCARTNEY: —now you’re talking about nonsense. I’ve heard that voiced in every organization and, the truth is, if you’re involved the accusation never comes up. There is no clique in AWCI . . . never has been . . . and I don’t see how one could develop let alone continue to function.

DIMENSIONS: Being new to any organization is a tough obstacle. How does a contractor get involved?

McCARTNEY: Just walk up to me, introduce yourself and tell me you want to get involved. If you’re in another area ask someone there, in the Southwest it could be a Ray Boyd; in the Southeast a Jimmie Crane or Leonard Little; in the Mid-Atlantic a Don Chambers, in the West, a Ron Brady, Bob Heimerl or a Max Jensen.

DIMENSIONS: The Wall and Ceiling Foundation and the new industry library are rather close to your heart, aren’t they? You were a leading figure in those projects?

MCCARTNEY: It started with an idea four years ago between Mun McNulty, Vito Arsena, Tom McGlone, John Thomson, Bill Marek, Joe Baker and me. Now it’s in place and the library is answering inquiries for the good of our industry.

Certainly, I’m proud of whatever part I played—and I’m still actively involved.

DIMENSIONS: Turning in another direction, Tom, how’s business?

McCARTNEY: Considering the state of the economy, we have no complaints—

DIMENSIONS: —and considering the alternative? Is the personality of business changing?

MCCARTNEY: In my opinion, this is the age of business ability. Once it was technical competence, but today you surround yourself with technical ability and apply yourself to the problem of understanding cash flow, buying procedures, logistics, planning.

The successful construction company today is the result of applied business fundamentals.

In these times you must know what something really costs. If you lose 10% on a job today, you’ll need 20% on the next job to break even—and with interest rates what they are no one wants to go into a construction job knowing that he needs 20%.

DIMENSIONS: You sound as if
you don’t see interest rates easing up much more?

McCARTNEY: I think the cost of money will remain pretty much where it is now for some time to come. Hopefully, we can avoid borrowing as we’ve been able to do for the past three years. If you need to borrow today you’re at a tremendous disadvantage.

DIMENSIONS: Where does that place your banker in the order of importance?

The top accounting firms can also provide you with personal financial planning which is vital.

DIMENSIONS: And the bonding and insurance agent?

McCARTNEY: He’s vital, too. Look at the money that goes into workman’s compensation, liability—and bonding. I’m aware of the feeling that a bonding agent is available only when you don’t need him, but I say stick with your bonding agent and treat him decently. The day will surely come when you’ll need him.

DIMENSIONS: In view of the investment needed, the risk involved, and the reward that can be expected, studies have shown that you’re better off putting your money into a reasonably conservative investment rather than a contracting business. Do you go along with that kind of reasoning?

McCARTNEY: No, of course not. My advice has always been to go with something you are familiar with. There are always optional or alternative investments—and you can’t predict how they will do either. Everyone would like to make more money . . . more profits . . . but it does depend on the market, the competition.

Some things are out of your immediate control and you have to accept that. You can say that you want 30% margin—but the market will tell you if that’s practical thinking.

DIMENSIONS: Still, though, you
“If I want to increase my margin (of profit), I must increase my productivity. That means a streamlined management. I get from my employees a reasonable day’s work—and I won’t blame them for productivity losses. I MUST streamline.”

have some control over your margin. That’s management, isn’t it?

McCARTNEY: That’s why I won’t go along with the statistical idea that putting your money into a bond or stock is superior to investing in a construction job. I have control . . . some control anyway . . . over my investment.

If I want to increase my margin, I must increase my productivity. That means more streamlined management. I get from my employees a reasonable day’s work for a decent day’s pay: I won’t blame my employees for productivity losses. If I want to improve productivity then I’ll streamline my management.

DIMENSIONS: With a smaller operation, the communications problem isn’t quite so severe, is it?

McCARTNEY: Absolutely. But Jim and I still have our own responsibility to keep up . . . to check out new products, systems, and processes. That’s basic and when we go to a convention we invariably come back with at least a half dozen ideas. The convention is critical because if a manufacturer wants into the mainstream that’s where he’ll find the construction industry—and we’re looking just as hard.

Conventions are important. You’ve got a six-month jump on competitors who missed out.

DIMENSIONS: Speaking of new systems, you mentioned a few moments ago that you were getting involved in demountables. What caused you to shift into this area?

McCARTNEY: It’s a major growth area. Any corporation that today opts for a permanent partition versus a demountable one has simply missed the tax boat. That’s what I mean by keeping up . . . the ballgame changed with Reagan’s tax bill.

Plus, Bill Scott, the well-known Houston contractor who specializes in demountable, steered me in that direction. He advised me to get into it because the boom is coming—and
we’ve already seen evidence that Bill is correct.

Do you you now what I mean by the association syndrome. The association alerted me to the tax advantages—and a professional advised me free.

DIMENSIONS: —and a new floor plan—

McCARTNEY: Now, wait a minute. If the architect comes in with a new floor plan that’s different. We do need shop drawings and approvals—and authorization. But for run-of-the-mill stuff, we bargain—or barter—with the GC services for services. They like it: we like it, and everyone stays happy.

DIMENSIONS: How do you keep control on a job . . . know when you’re on schedule or otherwise?

McCARTNEY: We run our weekly time and material printout and Jim or I—Jim more than I—walk every job every week. There’s precious little that can escape Jim Morrissey’s eyes.

DIMENSIONS: Where to from here, Tom? You have a successful business—so the most reasonable direction is bigger, isn’t it?

McCARTNEY: Not necessarily. I intend to remain updated . . . as a matter of fact both Bob Watkins and Bill use. We keep a better control on surprises that way.

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DIMENSIONS: A bad debt can be particularly harmful to a small contractor. How have you avoided trouble with your receivables?

McCARTNEY: In our six years in business, I don’t think we’ve lost more than $5,000. The best collection strategy is in the people you work with: handle that and you’ll have no problems.

DIMENSIONS: How do you handle the little change orders back charges, and the thousand and one inflictions that constantly await you?

McCARTNEY: We’re small—and we don’t deal in surprises if we can manage them out of our lives. Our field personnel, superintendents are told to negotiate changes for other services in the field. I don’t like back charges, material moving charges . . . that sort of thing.

DIMENSIONS: Are you saying you barter changes?

McCARTNEY: If you want to call it “barter,” then the answer is, “yes. We barter.”

I realize that might give a lawyer like Mac Stokes apoplexy, but it’s easier for us to provide a $1,000 in changes in exchange for some service we could