

Sticking to What Works

Specialty Contractors, of Los Angeles, is a Single Service Contractor and Sees No Reason to Change a Successful Formula

He's Irish and doesn't rely on Shamrock luck.

His construction company makes a substantial profit year after year yet he studiously avoids big jobs and diversification.

He was born in Chicago and loves that city—but refuses to go back unless they find some way of eliminating the snow.

He's Thomas M. Flynn, General Manager of Specialty Contractors, Inc., of Los Angeles, the \$4,000,000-a-year drywall construction firm that has shown no ill effects—nor anticipates any—in the current economic crunch.

Born in Chicago, son of the late Michael and Helen Schaeffer Flynn Kieran, Tom has managed to keep his

company moving steadily ahead by concentrating strictly on drywall, on servicing his accounts, and watching money management with the cautious eye of the professional accountant which he is.

Far from being a radical contractor who flies in the face of either tradition or change, Tom approaches marketing strategy with a conservative thoroughness. He won't bid big jobs because the profits margins are excessively narrowed by too many competitors. He avoids the kinds of work outside his or his estimator's area of expertise. And he keeps careful records on every job, every phase of construction—and moves swiftly when the numbers indicate something has gone awry.

Tom came into construction from the manufacturer's side. After attending Notre Dame University and serving a two-year Korean hitch as a supply sergeant with the First Marine Division, he completed his accounting degree at DePaul University, while working for the United States Gypsum Company as an accountant.

The company moved Tom to the Los Angeles area but after seven years with USG he joined Specialty Contractors as office manager. Seven years later, in 1971, he took over as general manager.

Tom has been a member of the AWCI Board of Directors and is also the past president of both the California and Southern California Drywall Contractors Associations. He is chairman of the Joint Apprenticeship program for tapers as well as the 11 Southern California Construction Drywall Installers trust fund.

These days, Tom and his family live in Torrance, California, near the

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Pacific Ocean where it’s warm in the winter, cool in the summer—and gives not a hint of wind or snow.

DIMENSIONS: Tom, in an era when many diversified contractors are predicting the imminent death of one-service contractors, you seem content to stick to drywall? Do you feel you’re following an appropriate long-term strategy?

FLYNN: All in all, we’re having a good year. It’ll certainly be better than last year, so I don’t think our future is all that bad. Experience has proven to us that you make money when you do work where you have a knowledge and in work that you like.

A one-service contractor depends on the market and here in Los Angeles

there is a market big enough to sustain us. If the market required it, I’d change very quickly.

DIMENSIONS: How about de-mountables then? I understand the Reagan tax bill has changed the market situation dramatically?

FLYNN: We actually got out of de-mountables about 10 years ago.

DIMENSIONS: Why?

FLYNN: At that time we didn’t have an estimator who enjoyed de-mountables. We weren’t making the profit that was required to maintain our presence in the market. I tell our estimators to work on plans they like because you just don’t do well on jobs you don’t like.

Work that you do enjoy is always available so why not concentrate on

this work . . . and do it better than your competitors.

DIMENSIONS: You mentioned a moment ago that you don’t particularly like big jobs either. What is the reasoning behind this?

FLYNN: You have a lot of bidders on big jobs—and they succeed only in bidding the profit margin down to the point where it doesn’t justify the risk.

A good job to our company is one that we do well and make a profit. Everything we do now is in the \$300 to \$400,000 range. We’re comfortable in this range and we can provide good service.

DIMENSIONS: That sort of lets you out of the big Olympic market that’s getting underway in LA, doesn’t it?

FLYNN: Yes, but that's a good example of what I mean. We don't want that business. There are plenty of good people in that market.

I much prefer to work for General Contractors that I know. Service is the name of the game because they're all substantial businessmen and they want service from their subs. When you provide it, you'll have no trouble getting work.

DIMENSIONS: How about the occasional outside GC, Tom? Do you ever bid an unknown?

FLYNN: Oh, I'll work for another GC—but only if he's a good, reliable businessman and there are, indeed, ways of finding that out. You don't need to go in blind . . . and if there's a valid NEVER in this business it's that: never go in blind.

DIMENSIONS: It's been said—and not without cause—that a GC's superintendent can make or break a sub's profit on the job. What's your feeling?

FLYNN: By definition, all GC superintendents are good. I mean that. It doesn't do any good to complain because as a sub you're obligated to fit your efforts into the total project.

I've really seen only one super who wasn't reasonable, who was looking for an early completion unrealistically. It's my superintendents' function to convince a GC what is reasonable. We've had pretty good luck convincing—because they're intelligent contractors, too.

DIMENSIONS: But what about that occasional job where you might need something extra . . . some plastering work . . . or demountables? Don't you often miss good jobs when you can't offer at least some diversification?

FLYNN: No subcontractor is truly without diversification. I'm not an estimator or a superintendent—but I hire good ones.

I don't bid demountables, but I know how to hire knowledge and installation skill. I can always sub any plastering work that is required in my contract.

But look at demountables for a moment. As I said, we got out of them because they weren't profitable enough. They still aren't here in the LA area. This isn't a demountable

market, Reagan tax bill or not. We don't see any big demountable jobs showing up in the plans.

DIMENSIONS: As good as business has been for you up to now, do you see construction continuing in the doldrums, or should there be a rebound fairly soon?

FLYNN: There's a tremendous demand for housing and it's building all the time. The interest rate obviously

has a great deal to do with housing and I expect it will be on the increase again as soon as the federal government begins amortizing its debt.

Here in LA, the commercial market seems to be holding up quite well. I don't think you'll see all that much of a fall-off in the near future.

DIMENSIONS: —but the rest of the country is feeling a sharp pinch?

FLYNN: I realize that. But I don't

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think we’ll be ready for much of a take-off until they begin selling American automobiles again. And I don’t see much evidence of excitement there.

DIMENSIONS: Tom, your company approaches the market with a strong service orientation supporting a specialty among a selected group of customers. What’s your procedure from the birdogging to the final payment . . . to assure a profit?

FLYNN: Of course, every job differs somewhat, but usually we start with a request from a customer to bid a job. Occasionally we bid other generals on work we want. I’d say we bid almost all of our work and then

it proceeds from there into negotiations.

If we’re successful, we set it up with the paperwork, get the contract copy to our superintendents and then do



another material takeoff. It’s the old story: you don’t make profit on materials, you make it on successful management of the labor content.

The supers break the job down into time and material and then we cross check their figures with those of the estimators. If there’s no match, we review carefully because every job must contribute profit.

DIMENSIONS: How about traveling?

FLYNN: If there’s a good contractor already there I won’t go into another town. How can I expect to make money when I don’t know the peculiarities of the market?

DIMENSIONS: But some travelers do make a profit?

FLYNN: That’s true. But I’m not geared up in that direction-and don’t presently intend to be.

DIMENSIONS: Doesn’t this go back to your attitude about manpower management as the source of contractor profits?

FLYNN: Certainly. I know the LA area. I know the work practices and the contractual obligations. A man will only do what he regards as a day’s work for a day’s pay. Most construction craftsmen are fair and to think otherwise is to be unfair about it.

I don’t want anyone running on my jobs—but they should walk fast.

When you estimate and budget a job you know the manpower requirements going into the work. My superintendent must seek to use two men successfully for work that is budgeted for three. I try to have one and one-half day’s work for each man on the job-by planning for improved work flow, for having materials on the job and in place for use, by having the job well run and organized.

DIMENSIONS: Yet there are always contingencies . . . the unexpected . . . isn’t there?

FLYNN: Yes, that’s the nature of construction. And that’s where a knowledgeable GC superintendent becomes the sub’s best friend.

A good GC super will make money for you. So, on any job you just tell him you'll perform for him and establish certain rules and scheduling. You make him look good and vice versa.

That's the way to cut down on so-called contingencies.

In construction—as in most other businesses—good relations are spelled in black ink.

DIMENSIONS: It's been said that—in construction especially—a deal to be a deal everyone must win. I take it good relations extends, too, to your suppliers?

FLYNN: My supplier relations are just as important as my customers. I have a long memory and I remember the suppliers who stood by me back when gypsum board was in short supply.

For every truck load that I received during the shortage I'll buy two truckloads as a thank you for sticking with me. I buy from suppliers who were

fair to me—and I haven't cut my buying pattern in the last three years: not one iota.

DIMENSIONS: —and your customers? How are they handled?

FLYNN: With the same sense of integrity that my suppliers treated me. I took care of my customers to the best of my ability—and I refused, politely offers from other generals who dangled premiums before us if we'd allow them the board that was going to regular customers.

I say I have a long memory. I'm not alone. Most people in business have the same kind of memory.

DIMENSIONS: in the last decade, Tom, where have been the changes . . . and what changes are on the horizon from your viewpoint?

FLYNN: I don't think there has been all that much change in drywall in the last 10 years. It's still pretty much of a steel stud and board business despite efforts by new systems.

I think I'll be here for another 30 years. If I need a new capability during that time span then I'll go get it, changing when and if I need to.

The essential thing right now is this: I'm making a profit and I don't see any need to change a winning formula.