Better the Second Time Around

Toronto’s Pat Daly Follows the Diversification Route to Keep Profits Flowing and His Firm Growing

At age 20, he was handed a successful plastering business. Five years later, he’d lost it all.
Three years later, he started up his life and his business again. Today, Canada’s Patrick J. Daly is chief executive officer of his own $8.5 million-a-year business-and with the help of his wife, Anne, and his three sons, Matthew, Paddy, and Danny, the company is headed for greater heights.

The company, P.J. Daly Contractors, Ltd., of Hannon, Ontario, located 45 miles south of Toronto, is far more diversified than the non-union residential plastering contractor that Pat started out to be. His company routinely performs lath and plaster, drywall, acoustics, fireproofing, steel framing and Dryvit.

Born in Hamilton, Ontario, son of the late Robert and Nora Wynn Daly, he finished his plastering apprenticeship while still a teenager. His first job with Gord Pasmore provided him his first chance when Gord abruptly turned ill and gave him the business. By his own admission he blew the opportunity badly.

On the second time around he kept a clearheaded vision of his goals. By 1972 he was completing the transition from non-union residential work to unionized industrial-commercial, and joined AWCI. A year later, the addition of estimating whiz Bill Patz gave the company the knowledge of the bigger markets—and Daly was off and growing. He has served 3 years as an At...
Large member of the AWCI Board and begins his 2nd 3-year term July 1st. Today, Anne is secretary and treasurer, and his sons split up management responsibility: Matt as superintendent in Hamilton and Toronto; Paddy, as of office and business manager, and Danny, as superintendent for out-of-town work.

Each of the Dalys is an equal-part owner of the company.

DIMENSIONS: You've obviously followed a diversification route, Pat. Is Dryvit your latest move . . . a sort of revival for the plastering trade?

DALY: Yes, I think the market here in Canada is ready to shift, just as it is now doing in the States. There's not enough plastering work in Canada to continue intensive training levels, so the Dryvit type application represents a salvation.

DIMENSIONS: Is the Canadian market developed or is there missionary work to be done?

DIMENSIONS: How did you land the job? Early birddogging . . . Dryvit as an option . . . outright sales . . . bid . . . negotiate . . . how?

DALY: We bid the job I'm talking about originally as stucco with a vapor barrier under the metal lath. We took it off as a total package—and then I told the owners I had a way of saving them thousands of dollars by going Dryvit. The owners were definitely interested.

You have to remember that Canadian architects and engineers didn't realize fully that this product was on the market. Not only did I go talk to them, but we had a salesman from Dryvit come in and explain the system.

It's a beautiful job and there'll be more. We've already had three inquiries off this job.

DIMENSIONS: How about competition? Are there other contractors pushing exterior insulated systems in the Toronto area?

DALY: Not to my knowledge. I got the idea of getting into this kind of a system in AWCI and we're moving fast to get the fast, strong foothold. What's really helped Paddy and me is that I've made some great friends in AWCI over the years and when I have questions or need help they've been just great.

DIMENSIONS: For example—?

DALY: Well, I had a big job here and the owners said they wanted it done just like a job in Cincinnati. I called Joe Baker at AWCI and asked him if he knew anyone to help. A day later, Joe called me back and said, “Call Jim Brunemann (R.B. Brunemann and Sons, Inc.).” I did and he told me, “C’mon down, Pat, and I’ll tell you what you need to know—and show you.” He was just super to us—and we went back with a truckful of information.

On another job, I talked to Lynn Grumke, in St. Louis, and he put me onto a supplier of a product I needed—and it saved us $85 thousand on one job.

DIMENSIONS: Frankly, Pat, that sounds like a testimonial for AWCI?

DALY: Maybe it does, but it represents the way I feel. I’ll tell it to you—or anyone else. AWCI has helped me so much—and I think that any contractor who is serious about his business and his industry should join . . . and then make it a specific goal to meet and
People are people wherever you go and they react to friendliness and a desire to participate. Once I got into some activities, I realized that the association could be what I made it.

introduce himself to as many other members as possible. Look at it this way: I have 1000 free consultants each with more talent in their little fingers than some of the expensive consultants have in their whole body.

DIMENSIONS: You’ve brought it up so let’s investigate it a little deeper, Pat. Many contractors feel a “clique” runs an association, and AWCI has sustained that kind of criticism, too. What’s your opinion?

DALY: That’s patented nonsense. No clique now runs AWCI—or ever has so far as I know. When I first joined in 1972 I laid back . . . a bit apprehensive. I didn’t know anyone and thought you had to be with the “in” crowd but it wasn’t the association—it was me. People are people wherever you go and they react to friendliness and a desire to participate. Once I got into some activities, I realized that the association could be what I made it.

DIMENSIONS: From the list of your company’s services, you are well diversified. Did you diversify as a deliberate management plan or did you bring on new services in response to customer demands or requests?

DALY: The more I went to AWCI meetings the more I began to realize that diversification was the way to go in the U.S. and in Canada.

Acoustics was first. The job wasn’t all that big but it was still a bit risky for us because I simply bid the job as a package and then went out and got a supplier. We made mistakes, of course, because it’s hard to tell people how to do a job when you don’t know yourself. But the job was intended to teach us and it did. Once we got acoustics down, we moved right into drywall.

DIMENSIONS: Would you recommend your method to other contractors?

DALY: I think so, yes. You bid a small job—one that can’t hurt too much—and learn by your mistakes. Ask questions of those who do know and make a special effort to learn. It gets easier with each new addition—and you gain confidence in your management ability.

DIMENSIONS: These days, though, profit margins aren't all that attractive

Construction Dimensions/February 1984
anywhere in the world. Is the same true here in Canada?

DALY: Last year we had our biggest year ever-volumewise. As for profits, I'd say I'm happy even though they were down. The profit margin is now small, but for a contractor it's either accept the situation for what it is or get out of the business.

Now I go where the business is—

DIMENSIONS: —you mean travel?

DALY: If this recession did nothing else, it taught us how to travel. Up to the crunch, we were complacent along with a lot of other contractors. We'd had a series of fat years so the whole industry needed a shakeout.

DIMENSIONS: Is that what’s happening now? The less efficient firms are being driven out?

DALY: In our case, we saw the need to become more efficient. We brought in new equipment and started working harder and smarter. It was either that or perish.

The market can be pretty direct and unforgiving when a contractor doesn’t understand what it's saying.

DIMENSIONS: During the past couple of years collections must have been tough. Did you experience cash flow problems, too?

DALY: I think money slowed down for everyone. Ours certainly did—but we didn’t lose any. My wife is very efficient about collections. When we didn’t receive pay for 60 to 90 days we pulled the men off the job.

DIMENSIONS: A businessman has to tough about payment, but almost every contractor emphasizes “common sense” about collecting. What’s your policy, Pat?

DALY: I have a tough policy and I see no need to change it. I try to man the job in a manner to keep the general contractor happy—so he doesn’t have an excuse to hold up pay. Then, if he doesn’t pay we get tough.

Anne handles 95 percent of our collections. I tend to get a bit more volatile about a no- or bad-pay, so when I get into a collection problem there’s not too much doubt that the hammer is coming down.

DIMENSIONS: Part of the new management craze is the computer. To hear a computer salesman tell it, you'll be obsolete tomorrow morning if you don't get into computers. How about the Daly company?

DALY: I don’t understand computer technology right now but the computer people don’t completely understand construction either. We’ll eventually come to grips with it in accounting—payroll, costing, inventory—but it’ll come slowly at our pace, not someone else’s.

DIMENSIONS: Some rather interesting software exists for estimating. Has computerized estimating tempted you?
“The profit margin is now small, but for a contractor it’s either accept the situation for what it is or get out of the business.”

DALY: Nope, not a bit. From what I’ve seen up to now, I wouldn’t want to bid a job with it. There are still too many variables and none of the systems that I’ve reviewed satisfactorily answer all my questions.

When I can understand it better and the salesmen can verify what it will do for me then perhaps I’ll move—but not until. I don’t need a status symbol which is what it would be for me until they get satisfactory software. AWCI is providing more and more on this subject, too, so I know where to go for information when and if I do decide to move.

DIMENSIONS: You mentioned earlier that you like to package your bids and that general contractors prefer you to have a bigger part. How about breaking out?

DALY: Packaging is the rationale behind diversification. It gets your volume up; it gives you better control over your own work, and responds to what the market demands.

A demand for a breakout price is an effort to isolate the lowest cost items. On any given bid, I might bid one service way down and load up on another. There’s no way I want to be left with the no-profit load so, no, I won’t break out.

DIMENSIONS: —and if the customer insists?

DALY: The majority of time it doesn’t happen or they accept our refusal to break out. Otherwise, we walk—if we can’t negotiate something acceptable on the entire package.

DIMENSIONS: Have you ever really walked? That’s easy to say, but when push comes to shove, many contractors smile and say, “well, I don’t like to break out, but—“?

DALY: We’ve walked two or three times—and we’ll walk again. General contractors know our attitude on the subject. Under today’s market conditions we can keep the job well manned, tightly controlled, do a better job—and show a profit, however small it might be. We don’t intend to give that up.

We do the exteriors and the interiors. There’s no waiting on other trades—and the general contractor has responsibility vested in one contractor and he doesn’t have to argue half a day getting something done.

DIMENSIONS: How about the union versus non-union controversy in Canada? I understand union contractors here are watching traditional work go non-union?

DALY: Yes, we’re having our problems in Canada, too. The trend seems to be for shopping malls, apartment buildings and housing to go non-union.

In the cities, union construction is still strong, but it’s gotten to the point that owners feel they can no longer afford the package for a union worker. It’s about $23 an hour now—plus the hassles on the job. Fortunately, though, union leadership here recognizes the problem and there is talk of a year’s wage freeze as well as some strong moves by both unions and management to do something about the shortage of skilled people.

DIMENSIONS: Where to from here, Pat? You sound as though your company is in good shape for the next few years?

DALY: Yes, we’re in a good position—and we’re tightening up those weaknesses that we’ve found. I think 1984 will be a good business year throughout Canada with us getting our full share.