PROSPERITY FROM GOOD SUCCESSION PLANNING

Canada’s Pat J. Daly, Sr. and his wife, Anne, planned carefully for succession of their contracting company—and today, following Pat’s death, family members continue to push the firm to new heights.

As a contractor, Canada’s Patrick J. Daly had his ups and downs. On his last up, though, he did things the right way. Through careful management, he’d built the P. J. Daly Contractors, Ltd., of Hamilton, Ontario, into a diversified multi-million dollar wall and ceiling firm.

Pat and his wife, Anne Gibson Daly did something else, too. They’d planned carefully for succession ever since launching their company in 1970. . . a contingency in case something happened to one or both of them.

That’s why, when Pat was unexpectedly stricken with a fatal heart attack three years ago, although it was such a personal shock to his family, it was not a disastrous blow to the business. Even as she hurried to the home of one of the community’s leaders where Pat had been felled by cardiac failure following a local meeting, the provisions of the family takeover were already working.

Within a short time, Anne and her sons had assumed leadership and the company continued to grow without a hitch—just as Pat and Anne had planned it. Anne today remains as secretary-treasurer of the firm. The other key slots are filled by her sons: Matthew, 32, outside supervisor; Pat Jr., 30, office manager and Dan, 29, outside supervisor.

What had been a $10-million-a-year company has grown steadily under the family’s leadership and now averages some $14 million a year doing fireproofing, lath and plaster, drywall, acoustical ceilings, light steel framing, partitions, and exterior insulated systems.

Growth has been slow and steady, just as it was when Pat Sr. was running things. And management style has changed little because Pat Sr. made certain that his wife and sons were true officers in the company and shared in the decision making. To the Dalys, Pat Sr.’s death was a savage personal loss, but his business style was such that everyone was fully trained to get along without him.

The company still concentrates on the province of Ontario as its prime market area and continues to look for new diversification possibilities. It just recently began an active marketing program with exterior insulation systems.

Anne, of course, was always an integral part of the business. Born in Hamilton, daughter of the late John and Olive Penna Gibson, she has continued the company’s membership in the Interior Systems Contractors Association of Toronto, the Hamilton Construction Association, and the Association of the Wall and Ceiling Industries—International.

For Anne Daly, the future holds no threats. Surrounded by a competent management team and long-term employees, she continues the plan that she and Pat formulated years ago, amending only as business conditions dictate. And at the recent AWCI convention in Nashville, Anne was appointed to a 3-year term on the AWCI Board, representing the Mid-Central Conference.
DIMENSIONS: Obviously, Anne, the shock of Pat’s sudden death must have been great. From a purely business viewpoint, what were your initial moves or strategies to keep the business going?

Daly: Well, Pat and I traveled together... flew a lot... and were concerned that both of us could be involved should there be an accident. That’s why we planned for succession so carefully. The family knew what had to be done and, thank heavens, we had many fine longtime employees who gave us the assistance that was so badly needed.

Certainly we miss Pat. But the two of us had indeed planned well and it went just as he wanted it to successfully. The business didn’t miss a beat.

DIMENSIONS: What was the main objective of your succession plan? How was it set up to work?

Daly: Well, as I mentioned, it was already in place. It was legally in writing and also in many conversations between Pat and the family as to how everything should be implemented.

Furthermore, without specifically stating such, we built the business so no one individual—including Pat—would be indispensable from a business viewpoint.

Fortunately, too, we had excellent long term employees and most of them knew precisely what their job was and how to do it. They didn’t need someone looking over their shoulders to tell them what to do.

DIMENSIONS: I should imagine that even with everyone pulling together, the shock waves lasted for some time?

Daly: Oh, but of course. Following Pat’s death my sons and I simply had to ride out the shock. We all came in here to the place of business and performed our necessary duties and tasks. But I can assure you that it was mostly robotic... just out of force of habit.

That’s why we’re forever grateful to our employees. They knew and helped. The fact that we didn’t encounter any major business catastrophes during that period is due mostly to our employees.

DIMENSIONS: From a succession viewpoint then, as harsh as it sounds, it really was business as usual?
The four of us operate the business because no single individual is more important than the others. Each of us has a job . . . a specialty . . . to perform and that’s it.

DALY: Yes, that’s true. Pat was buried on the Friday following his heart attack. A doctor friend of ours was at the meeting and he tried dramatic recovery techniques but it was useless.

By the following Monday, the business was back in operation. It may sound cold, I know, but getting back to work was really therapy for the family.

DIMENSIONS: Then you took over, I presume, as president, and—

DALY: No. Titles don’t mean a thing in our business. They never did even when Pat was president. He always allowed others to share in major decisions.

Matthew is president, and I’m still the secretary-treasurer. I’ve held that title since the inception of the business. As I said, though, titles around here are merely a legal necessity. My sons and I run the business together.

DIMENSIONS: Are you saying no single individual rules?

DALY: The four of us operate the business because no single individual is more important than the others. Each of us has a job . . . a specialty . . . to perform and that’s it. The business is growing and in excellent financial condition.

DIMENSIONS: How did the industry react? Were your customers concerned about the work status . . . that sort of thing?

DALY: There was no adverse reaction from any of our business friends, customers, or suppliers.

They all knew the Dalys. Matthew and Dan are experienced carpenters and capable managers. Pat Jr. and I had always been in the office so we were well known.

Truth is, I thought that perhaps there might be some concern but we found that not to be true. Everyone was supportive.

Due to my husband’s structuring of the business it was immediately ap-
parent to everyone that we could carry out our roles and continue the business without Pat.

After all, we’d all been through the processes a hundred times before. The business hadn’t changed in any way. To us, it was a matter of getting over the personal shock and just continuing the work in place. Keep bidding, really. No special management tactics had to be installed.

**DIMENSIONS:** Still, your active role in the business from the start was a great help.

**DALY:** Had I not been active in the business . . . been directly familiar with even the work in progress, then, no, it wouldn’t have been as smooth as it was.

I was thoroughly familiar with virtually all aspects of the business. We’d grown from a very small operation. In those early days, Pat was on the job every day so I had to run the office part of things.

As a result, I knew what was being done, where, and what would need to be done in the future, and how much it was costing.

**DIMENSIONS:** And the sons? What training or preparation for takeover did they receive?

**DALY:** We’d brought our sons up in the business so they knew what was expected of them. It was no accident that all three are veteran, experienced construction people—or that two of them are card carrying carpenters. Anyone would be hard pressed to get something past any one of them.

**DIMENSIONS:** You had indicated earlier that most of your office operations are manual. With a $14-million annual volume, isn’t it time you started managing your information with a computer?

**DALY:** Our manual system is serving our management needs very well. It’s not even close to a problem point yet. Still, we have been conducting studies of a computer installation and no doubt will be installing a system very shortly.

**DIMENSIONS:** What led to your decision to consider computerization? To many contractors, computers are very close to being a swear word.

**DALY:** It is the growing need for greater efficiency. Our information processing requirements are growing so swiftly that we need a faster way of
I don’t see how any contractor can hold off much longer by not having a computer. The amount of information that must be processed by a modern business is staggering anymore—and a manual system consumes too much time.

**DIMENSIONS:** How did you go about researching the need for a computer? What did you review first: your company systems, hardware, software...?

**DALY:** I’m familiar with the difficulties other contractors have experienced in moving to a computer. I don’t intend to repeat their mistakes.

We’re still gathering information on our own business to see how the computer will fit into our operations. We’re also getting recommendations from others who have gone—successfully—through the changeover process.

At this point, it’s strictly a review of our operations and how to best match them with computers. We haven’t even looked at any hardware or software—
and I don’t intend to do that until we’re ready.

**DIMENSIONS:** You’re following what just about every systems analyst recommends: review your company then start looking at computers. Have you made any decisions yet on who will be operating the hardware?

**DALY:** As I explained, we’re looking now only at what we want the computer to do.

As for computer operations, there’ll be two or three of us who will be operating the equipment with an understanding of the computer operations.

**DIMENSIONS:** How about your estimating? Will that be done on a computer, too?

**DALY:** For the time being, our estimating will remain manual. From what we’ve all seen thus far, I don’t believe an infallible system has been developed. Certainly, I wouldn’t trust any of the software out there yet.

To me, there’s just too many diverse projects for a computer software program to be practical at this time. I’m not saying we’ll never computerize our estimating operation, but I’ll need to see something better than the industry offers at this time before we’ll commit this business to computerization.

**DIMENSIONS:** Who heads your company’s estimating department?

**DALY:** Our chief estimator was Bill Patz. Unfortunately, Bill suffered a stroke but is now back in the office doing takeoffs and working to overcome some of his disability.

In the meantime, our other two estimators, Ralph O’Neill and Reg Nasu, have taken up the slack. Both are veteran estimators.

**DIMENSIONS:** Do they specialize or do both estimators take the work as it comes?

**DALY:** Ralph handles the large, complex projects, and Reg, who is extremely talented but has less experience, estimates jobs up to $1 million. They find it more convenient to break work down by size rather than by specialty although to a degree, they’re free to take off the jobs that interest them.

**DIMENSIONS:** It appears that your ability to keep your estimating going even with a severe loss is another example of your and Pat’s avoidance of one-person dependence.

**DALY:** That’s exactly right. We planned it that way—and it’s nice to see it work according to plan. This incident in estimating is again just a continuation of a lot of good people doing their job and working together.

**DIMENSIONS:** What is your company’s experience on jobs won to jobs bid? Is the ratio high here in the Toronto area?

**DALY:** Our ratio is about average. We win perhaps one out of five bids. On jobs that we really want, our ratio is better.

**DIMENSIONS:** Whose responsibility is it for bird dogging the work? That is, how do you keep a line on what jobs are coming up?

**DALY:** Our estimators keep a watch on the market. The job information comes in from a number of sources. When we see a job we’d like to take off, it first comes to me, then to Pat Jr.
Pat goes over the information with the estimators and together they select the projects.

Once we’ve decided to go ahead on a project, we arrange to get the plans. That’s why we have an office that we’ve maintained for years in the Hamilton Construction Association building. Most of the plans for nearly any substantial project are available right there. It’s really just a matter of one of us going down there to get the copy of the plans, bring them back to the Daly office where they can be worked off.

Otherwise, we arrange to pick them up from the general contractor, architect, or whoever is providing them.

DIMENSIONS: How about taking off from a set of plans in the general contractor’s office? Will your company do that?

DALY: No, we won’t do that. If we’re going to do a takeoff then we’re going to do it right. When you’re dealing in big dollars, you need the time and the conditions to do it right. Now that’s a company policy. This is the way we’ve always done it and while I’m not against change, I certainly don’t see us changing that policy.

DIMENSIONS: I’ve heard some subs say they won’t do that but occasionally you can find them taking off in the GC’s office. What is the major difficulty with doing that?

DALY: There’s just too much confusion . . . not enough time . . . other people who want part of the drawings . . . you just can’t be as accurate . . . it’s no way to do it on a million dollar project—do you want me to continue? I can add to the list.

DIMENSIONS: No, I think you’ve made your point. How about the pricing of a job? Is that a management prerogative or do the estimators do that, too?

DALY: Our estimators do the pricing as they takeoff . . . Pat Jr. checks every figure in the bid. He’ll sit with the estimator and refines the final pricing. But every job is reviewed a number of times . . . to avoid mistakes.

DIMENSIONS: And the project planning. Who is responsible for setting up the schedules, reports, work in progress reviews . . . that sort of vital planning?

DALY: Again, that’s the responsibility of Pat Jr. and his brothers.
They make up the work plan, control the project. You must have experience in that function and my sons have that in abundance. They seldom make mistakes—and don’t make big ones even if something does manage to slide past their eyes.

DIMENSIONS: What procedures do you use to assure a profitable job . . . from estimating to buying to installing, to collecting?

DALY: Well, to start with, each project has its own estimator and superintendent. Working together, they set up the schedules—

DIMENSIONS: —but how is the buying handled? Who does that?

DALY: Again, the goal is to get the best possible prices or material. The estimator does some of it. What we do is try to match up the job needs with the best available person. Now that could be any one of the Dalys or the estimator. Everyone checks with the others anyway to confirm the best prices. It’s a team approach.

DIMENSIONS: On your progress reports. Do you make up charts or special reports? How is that information communicated?

DALY: We don’t find it necessary—or even helpful—to do charts. In any event, the general contractor’s project managers have their schedules and we try, wherever possible, to meet their schedules.

When the job is being set up, everyone has a good look at everything going in so we know what’s required.

DIMENSIONS: I take it you’re a strong supporter of job conferences where the GC gets all his subs together and tries to coordinate things?

DALY: As one who sees the value of team work in our business, I think you can see that answer coming. I think such a job conference is essential to anyone who’s going to be involved in that project.

It’s important to the success of any project to get together and arrange as far in advance as possible what needs to be done in order to meet the schedule. Before you start is the time to look over potential problems, bottlenecks, coordination, deliveries, logistics . . . the whole thing.

DIMENSIONS: Everything can be managed beautifully but until you collect the money you have nothing. As secretary-treasurer, I suspect you have responsibility for collections, right?

DALY: Yes, I’ve always had that responsibility. We’ve never had serious problems primarily because we’ve known and worked for most of our customers for years. They’re major GC’s and their reputations are sound.

Even the smaller firms we’ve dealt with for years are fine, reputable people. In this market, everybody knows everybody . . .

DIMENSIONS: But there is always that stranger. How do you manage offers from GC’s that you don’t know? Avoid them?

DALY: We don’t avoid anyone. If someone new comes into the market, we check them out as far as possible. We try to get a D&B rating report . . . a local credit report and we also speak to other trades that have worked for him in the past.

I want a good line on a stranger before I put my company on the block for him. It’s our money and when you’re dealing in big dollars, common sense dictates that you be careful.

If we take the job, we watch carefully until we’ve formed some history on them.

We run a list of accounts receivables every 30 days and don’t hesitate to call on money owed . . . regardless of how long we’ve known the customer.

Of course, there can be good and justifiable reason why we must sometimes wait for our money. If I don’t hear a good reason I don’t hesitate to give it to our lawyers or lien the project—

DIMENSIONS: —or shut the job down?

DALY: We’ve shut down a job on a couple of occasions, pulled the men right off the project. That will usually resolve the matter speedily.

But shutting down is an extreme action on our part and we’d turn to that alternative very, very seldom.

I believe in mutual courtesies and caring. It’s to everyone’s benefit to maintain a good relationship. After all, you must work with them later.

DIMENSIONS: How is business in Ontario right now?

DALY: At the moment it is booming. There is plenty of work. Actually, there’s not enough tradesmen to do all the work. For everyone it’s pick and choose your project right now. I don’t know of too many contractors who don’t have a nice backlog these days.

DIMENSIONS: What do you see as the dimensions of this boom? How long has it been booming and for how much longer?

DALY: It’s been going this way for the past year and a half. My guess is it’ll last another year and then slow down as the area adjusts to the over build situation.

DIMENSIONS: And the next five years? What do you see coming up, Anne?

DALY: As I just said, I think we’ll see a decline in construction for a few years. Things will certainly level off within the next year.

We see it coming and we’re prepared for it. That’s all part of the normal construction cycle.