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## The Comfort Contractor

By [Steve Smith](#)

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So back in 1991 this HVAC contractor walks into a seminar taught by some guy named Dan Holohan. The contractor had never heard of him before and only knew of radiant heat from what he had seen on TV shows.

But Dan Holohan, being Dan Holohan, lit a fire within the contractor and the contractor knew before he'd even walked out of the room that day what he wanted to do.

“I ran into a lot of resistance at first,” Dan Foley adds. “But it was too late. I was inspired and I knew I would succeed. Little did I know that it would be more than 15 years before radiant would be my primary business.”

Today, Foley, president of Foley Mechanical Inc., Alexandria, Va., specializes in jobs that make a Wet Head's mouth water, catering to the \$5 million-\$15 million custom home market. These are homes so plush that even the carpet has carpet. Some even have names.

While 80 percent of his business is installing and servicing high-end residential radiant/snowmelt systems (with some commercial work, too), the rest is still true to his HVAC roots.

“I'm not a heating contractor, I'm a comfort contractor,” Foley explains. As a result, radiant heat is the

way to go, but so is incorporating ways to ventilate, humidify and cool.

Homes today, regardless of the price tag, are built tighter. Any type of natural ventilation contractors could count on is long gone. Foley told us about one job, for example, that won him a national award. He did bid on the air-conditioning work, didn't get it so he just went to work on the radiant. That job had all the bells and whistles. Problem was the homeowners called to complain that first winter.

Dan went out, shooting the floors with an infrared device, tweaked a little here and there, and said everything was fine. But it wasn't.

"I never listened during that first call, all I could think about was the radiant system," Foley says. "But the homeowners didn't say they were cold, they said they weren't comfortable." Upon further inspection, Foley found plenty of places the other contractors cut corners - even for a multimillion-dollar property - that jeopardized the performance of his radiant system.

"So it wasn't my responsibility," he adds, "but I've made it my responsibility. Radiant contractors need to be prepared to do more than just provide warm floors." Now he insists on providing as much of the total comfort job as possible.

We took a tour of some of Foley's latest projects during last year's Radiant Panel Association RadFest East. Maybe it was seeing the \$80 million house with the name and its 24,000 sq. ft. of snowmelt, or the more modest 14,000 sq. ft. Georgetown mansion. Somewhere along our travels, we decided we'd rather write less about a house with a name than a contractor with a name, and see what he's learned along the way from employee to radiant convert to business owner.

At the time Foley left Dan's seminar, things were a little different than they are today. First off, he was a service tech at Arlington Heating & A/C Inc., Arlington, Va., a firm that did nothing but forced air. Air-conditioning comes in handy in this area of the country. We remember reading that in the years leading up to the second World War, when D.C. was considered a backwater town by Europeans, British diplomats received extra pay since the area was classified as "subtropical."

Foley heard all the usual, helpful advice given to a guy before his time when he started talking up radiant. "This is the South," he heard, and "This is heat pump country," and "No one will buy radiant here." Any talk about snowmelt was greeted by laughs.

Foley persevered, a trait that is nothing new to the people who know him better. He started at Arlington in 1988 as an installation helper, and quickly progressed to installer and then junior tech in just a year's time. He was still learning and, as a result, made plenty of mistakes, but soon was tops in both service and sales.

From the field, Foley tried working in replacement sales and sold over a half million dollars in business his first year. But he missed working in the field, so he went back and ran service calls for a few more years.

In 1991, the owners of Arlington let him open a branch office converted out of a 2,000-sq.-ft. warehouse located quite a ways from the "headquarters."

“I knew absolutely nothing about marketing, financial management, leadership or small-business management,” Foley admits. For some people (and we mean “some”), ignorance can be bliss. “I didn't know that I didn't know so I guess my ignorance contributed to my success.”

The absolute best training he says he ever received was starting up that branch from nothing and turning it into a profitable operation in short order. The branch reached the \$1 million mark in sales in two years - with some of these sales from radiant and snowmelt work. By then, Foley had six employees answering to him.

Five years after opening the branch, Foley got his next opportunity: general manager of the whole business.

“I had some mixed emotions,” he remembers. “The branch was my baby. There was no question that I was the chief and things were done the way I wanted them to be done.”

A new company vehicle, a Dodge Durango, helped him see things in a new light. A substantial pay increase made him squint. Eventually, Foley became the company's vice president in 1998. That's the year we initially met when we included him and other nontraditional Wet Heads on the cover of PM in 1998. By that time, Foley's crazy ideas about radiant in Virginia and metro D.C. had turned into 20 percent of the company's sales.

By 2001, Foley had helped grow the business to \$5 million in sales.

Around this time, he had plenty to show for his hard work. New home, new car, nice bank account. All the things that money could buy except - and you know where this is going - for one thing.

“I was unhappy,” Foley says. He had all the headaches of running a business without the rewards. “How can you do something for 12 hours a day, six days a week, if it makes you unhappy?”

Yes, we know what you're thinking: What about the house, car, bank account and all those other things money definitely can buy?

“I'm not speaking about the monetary rewards, since I found out that wasn't what motivates me,” he adds. “I longed for the days of running the branch office in an ignorant state of bliss for a fraction of the pay, but happy as a clam in mud.”

Foley also wanted to concentrate more on radiant and snowmelt. While he created a reliable niche for Arlington, he knew radiant would continue to be a supporting player.

With that in mind, Foley resigned from Arlington in December 2001. He agreed to stay on for another six weeks to tie up all the loose ends. Six weeks turned into three and a half months, however, and if he hadn't finally left in April 2002, Foley might still be there now.

Considering his success up to this point, we were surprised to find out that he had resigned without exactly figuring out what he wanted to do - other than just “do radiant.” To be sure, he had spent nights and weekends doing all the paper work, such as licenses, insurance and incorporation, that goes into opening a business.

Maybe it was that ignorance-is-bliss principle again. Foley figured his future was in radiant, but not necessarily installation. At first, he thought he could make a go of it offering advice on all the items that go on behind the scenes to prepare for the job itself.

“I thought about the possibility of providing radiant CAD design and layout for contractors and general contractors, as well as consulting on radiant heat for architects,” he says. With a \$3,000 monthly mortgage payment staring him in the face, however, he knew he'd have to make a fast decision.

So Foley decided that he was meant to be a radiant contractor. Foley Mechanical Inc. was incorporated in June 2002. “I was going to concentrate on doing the things I loved - radiant, snowmelt, steam, boilers - to the best of my ability,” he says. “I realized I would continue to do air-conditioning and other forced-air installation and service, but I would focus on the things I loved.”

All Foley had to go on at first was his reputation, which isn't a bad thing to go on when it's all you have. That was about all he really did have to go on since no banks would front him the money to start a contracting business. Foley didn't want to borrow from friends or family, nor did he want to bring in any partners, silent or speaking. He ended up financing FMI out of his own pocket by selling his house and investing \$200,000 of his own money. The work trickled in. He did about \$500,000 in sales his first year, then \$1 million the second year and \$2 million the next year. He was on schedule to do \$2.5 million last year.

Regrets, he's had a few. He wished he had lined up a line of credit so that he wouldn't have had to finance the entire startup with cash from his pocket. While he took a couple of years of accounting in college, he found that small-business accounting is different, so he wished he had investigated software programs. For tax purposes, he would have leased his vehicles rather than bought them outright.

But only your friends can truly disappoint you, and relying on an old buddy was Foley's biggest heartache. Early on, he hired a longtime friend to serve as his service manager/vice president. He, in turn, hired his brother and other friends to fill other positions. His old buddy worked hard for the first year, but before Foley knew, the office looked more like an entourage throwing a party than a hard-working business.

“I let this go on longer than I should have because of our friendship,” he says. He finally cut his losses beginning in May 2004, and dropped from 15 employees to nine. “But there was an immediate improvement in attitude and financial performance. It took the rest of that year to climb out of the hole, but we finished in the black and built on these changes during this past year.”

While he continues to grow his radiant business, Foley did mention how the nature of his competition is changing. When he first began doing radiant work for Arlington, almost all of his competition were plumbers. In the past 15 years or so, he's noticed a gradual change, at least in his trading area.

“Our local RPA chapter is a 50-50 split between HVAC guys and plumbers,” Foley explains. That's no surprise to this one-time HVAC contractor. “The skills required to work on highly efficient furnaces, heat pumps and air-conditioning units transfer well to the technical aspects of radiant controls, logic and wiring.”

To stay competitive, Foley believes contractors should brush up on how they distribute radiant heat. “I really feel that the hardest part of radiant design is control strategy and low voltage control wiring. That is where the HVAC guys shine. I don't mean to minimize the hydraulics and flow calculation required for radiant jobs, but I just see many more mistakes made on the control side of the installation.”

## **A Different Take On Marketing**

You won't find a line item for “marketing expenses” on FMI's P&L statements. However, you will find a lot of leadership positions on various trade groups, such as the Radiant Panel Association (former president and current board member); the Plumbing-Heating-Cooling Contractors - National Association (runner-up last year in annual National Mechanical Contractor competition); its local affiliate, the Plumbing & Mechanical Professionals of Virginia (former president, vice president and last year's Mechanical Contractor of the Year); and the Air Conditioning Contractors of America (current board and executive board member).

“We get involved in meetings, chair committees, serve on boards and make sure that everyone we meet at trade association meetings knows who FMI is and what we do,” Foley explains. “I get a lot of work from my competitors who either cannot tackle the big projects or who are not versed in radiant and snowmelt.”

Foley's unorthodox approach also includes sticking with manufacturers and supply houses, as well as helping local reps with problem jobs.

“You had better believe that this behavior will be rewarded when that showcase job crosses someone's desk,” he adds.

Finally, he thinks doing a good job and making clients happy is an important priority that can't be easily accounted for on financial statements.

“I keep my GCs happy and on schedule, and they, in turn, bring profitable work to me,” Foley says.

He shared with us a confidential list of customers, including senators, Forbes 400 members and a certain senator who used to be the First Lady and who wants her husband to be the first First Man.

“If we can keep this list happy,” Foley says. “We can keep anybody happy.”

## **Hands-on Leader**

Dan Foley hasn't taken a sick day ever. Not one. In a career that's lasted almost 20 years, that's a lot of gold stars on his report cards. It partly explains the different take he has on the well-known notion that successful contractors must work “on the business” rather than “in the business.”

“I understand the concept,” Foley says, and he's read both “The E-Myth” and “The E-Myth

Revisited,” two popular books by Michael Gerber that put forth the philosophy. “I just don't agree 100 percent with his premise. You could say I do both.”

He's very involved with the design and technical side of a radiant job, but he also can pitch in on any installation or troubleshooting call. Plus, he handles the business aspects of running the business, too.

Early in his career, when he was just a helper, he couldn't help but notice that a former boss was held hostage by a service manager who knew more about the technical aspects of the job.

“I vowed I would never put myself in that position,” he explains. “While it is not possible to do everything myself, I am capable and possess the skills to do any task I ask my employees to do.”

It's no wonder he hasn't taken a sick day. Now, it doesn't mean he doesn't have the right kind of help. Back at the office, Foley relies on James Elliot, his sales/project manager. Elliot came from the telecom industry in which job orders in the millions of dollars were routine.

“His skills in selling our type of jobs works quite well,” Foley says. “James doesn't think twice when we provide a bid of \$70,000 - that's a bargain considering the bids he used to give. How many times do you hear about the contractor who's selling radiant, but then kills the deal by saying it's probably more than you were thinking of spending? Not with James.”

Denise Halter, a former CPA, works part-time and has been instrumental in reorganizing FMI's financial statements. She has helped Foley put less energy into financial affairs.

In the field, he currently relies on 10 installers and service techs. He knows the value of good help so he pays well and offers benefits, paying all the insurance premiums for the techs and their family. He figures this attracts responsible “family men.”

“I could go out tomorrow and find five new jobs,” Foley says. “Good techs are far more difficult to find.” He's also invested in tech training both locally, such as seminars put on by wholesalers, reps and trade groups, and nationally, such as Wirsbo's Home Comfort Team curriculum.

Steve Smith was editor of Plumbing & Mechanical from 1996-2009.