

## LEADERSHIP PROFILE

Darren Doherty, President and CEO Package Pavement

WITH HAROLD KING

# THE COMPLETE PACKAGE



Darren Doherty and Transportation Supervisor, Al Yannone discuss improvements to the loading dock area project.

HV Mfg travelled to Stormville in Southern Dutchess County to visit with Package Pavement President and CEO Darren Doherty. We talked about the Spec Mix® business, managing change and growth, and the challenges of transitioning a family business from one generation to the next.

**HV MFG:** Thanks for sitting with us today. This magazine is all about manufacturing so tell us - how did you come to be in the manufacturing sector – is it simply because it's the family business?

**DD:** Actually, yes, that is the simple truth. My grandfather started the business in 1951 and my father took over in the late 50's. In the early 1980s, when I was at Boston College, my grandfather paid me a few visits. He would take me to lunch or to brunch and would tell me that he wanted me to run the company one day. I really did not think much about it at that time. There were dozens of siblings, cousins and uncles who seemed more likely than me to do that and I didn't plan on it ever happening. When I graduated I went to work for Whirlpool Financial in Delaware. We did consumer financing for all kinds of retailers. Any time a customer applied for credit to purchase furniture, or appliances, or any large item, we would provide that financing. I started there in 1986 as a supervisor, then became shift supervisor and later an operations manager. I liked it – it seemed like a solid career path.

In 1990 the controller of Package Pavement retired and my father asked me to come back and fill that role. I was recently married and as I told him at the time – I was not really a numbers guy. But, he said he actually needed someone he could trust – who could gather and interpret all kinds of information – not just numbers. After some thought it seemed like the right thing to do for everybody so I agreed and moved back home.

**HV Mfg:** Had you worked at the company before – how familiar were you with its operations?

**DD:** I had worked summers and part time quite a bit – stacking product on pallets, doing some maintenance type work and



Doherty greets new Line Supervisor, John Dowd and Maintenance Manager, John Jasinski.

shoveling a lot of spilled material. Back then it was not really an operation you wanted teenagers around. I had been around enough to get me started and asking the right questions.

**HV Mfg:** What were some of those questions?

**DD:** There were plenty of them – “which customers are our most profitable, which products have the best margins” – but the most obvious and important was “we are making money, but how come we never have any cash?”

**HV Mfg:** Why weren't you?



Doherty and Ravenna Plant Supervisor, Fritz Persico review plant batching system.

**DD:** Well, there were a lot of reasons. We found that a decent percentage of our customers at that time were not paying promptly... if at all. We found that there was a lot of waste in our manufacturing process. We found that we had way too much inventory of some products and not enough of others. We found that we weren't pricing things appropriately for the market. Those were the big things. Around this same time our customer mix changed dramatically – Home Depot and Lowes started to crowd out many of our smaller customers and many of them went bankrupt or out of business.

**HV Mfg:** Now is probably a good time to ask – what does Package Pavement make?

**DD:** We make cement and asphalt products that we sell to the construction and building repair industry. That includes direct to commercial contractors but also masonry supply stores, lumber yards, hardware stores and the big box DIY stores. We produce under both our own, private label and under the Quikrete® and



Jerry Guerro, Director of Quality Control prepares a concrete sample for testing on a large concrete pour from an outside contractor.

Spec Mix® brands. The products are cold patch blacktop, all kinds of cement and mortar mixes, sand, gravel – that type of product. We also have a sister company – Red Wing Properties – that not only provides some of the aggregate that we use in our products, but also sells to other construction contractors.

We have a vertical production line. Our raw materials, cements, sand, gravel are combined and mixed at the top and the finished product is put into 60, 80, or 3,000 pound bags at the bottom. From there it goes onto pallets, then trucks and then transported to the customer – either at a job site or a retail establishment.

**HV: Mfg:** And, in the early 1990's those retail establishments where increasingly Lowes and Home Depot. Was that a good thing or a bad thing for Package Pavement?

**DD:** It was a bit of both. Home Depot came on the scene in 1989 and our volumes began to grow. Their competition, who were also our customers, lost business to them but we did pretty well – at least in terms of market share. We were able to deliver what they wanted better than other suppliers in the Northeast were able to – so we grew. On the other hand, the pressure to lower our price was constant and ate into our profit – and our margins were not great to begin with.

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-Rich Croce of Viking Industry

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-Ellen Anderson of Selux

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A bag of Spec Mix® travels from the packing area to the automated palletizer to be wrapped and shipped to a customer in Brooklyn.

**HV Mfg:** Did you find the right people?

**DD:** Definitely – from bottom to top Package Pavement has a great team. I’m going to name a few because they’ve been here so long and have had such a positive impact. I hope I don’t leave anyone out. Ralph Robinson, Operations VP, has been with us for 33 years (he actually has retired but is so key we have him working on special projects for us); Mike Holt – our VP of Sales, has been here for 22 years and Jim King, VP of Construction Products Sales for 23 years; Jerry Guerro, our Director of Quality for 11 years; Mary Lapi-Uresk, our Controller for 27 years; Brett Perkins, our IT guy for 40 years; Tricia Miyoshi for 25 years and my Plant Manager, Cyrus Tompkins, over 35 years.

**HV Mfg:** When did you become CEO?

**DD:** My father retired in 1996 and I was chosen to replace him. My brother Frank became president of our sister company, Red Wing Properties.

**HV Mfg:** That must have been a little intimidating. You were a pretty young man at that time, correct?

**DD:** I was 33 and yes, it was more than a little intimidating. But, very early on Carl Dill, owner of one of our local customers Dill’s Best, invited me to participate in a CEO roundtable that met every month. It included some really smart, experienced business people: Carl Dill of course, and Roger Smith from Pawling Corporation and others who were a big help to me.

**HV Mfg:** Can you share an example of some guidance or advice you got from that group?

**DD:** Sure. When I took over some of the more “seasoned” employees not only didn’t like some of the ideas I had for improving the company, but they didn’t even take me seriously. We had done things a certain way for such a long time – in the manufacturing process, in sales, in customer service, in finance – that people did not want to change and thought they could ignore me. The advice I got from the group was that I needed to get the right people on the bus. The people who would not follow needed to leave and I needed to find people to implement the changes that needed to be made. I made some tough decisions, fortunately some really key people did want to see the company grow and improve and they embraced the changes. The ones that did not we parted company with.

**HV Mfg:** They helped you turn things around then? What kind of changes did you make?

**DD:** Definitely – in 1996 we sold off some non-profitable or non-sustainable business segments and added more production capacity. Some of the changes were simple, others more challenging. In 1998 we purchased a property up near Albany and now it’s a very significant part of our production capacity. Basically, we have invested in products with higher margins; we have invested in technology and automation and we have increased our customer focus.

**HV Mfg:** Can you give us some examples?

**DD:** Sure. One is the plant near Albany in Ravena. We, basically Ralph Robinson, designed a new production line that is very automated and efficient. Another, is our focus on contractors working in New York City. Time and space is at such a premium there that if you can deliver a product when you say you will, in a way that the contractor can use it without having to handle it multiple times, you have a big advantage. We have redesigned our pallets and reconfigured how we pack them to make them easier for those contractors to use. That has won us some business. We have also invested in color matching so that our mortar is accessible to the particular needs of customers – whether that is to match an historical mortar at a university like Yale or West Point – or to provide a consistent color to a unique building. Yankee Stadium, for example, and its recognizable bright white facade is one building we supplied.

**HV Mfg:** What do you see as your biggest challenge in the next few years?

**DD:** People, workers at all levels. Entry level, maintenance mechanics, and drivers in particular. It's a tight labor market locally and it is difficult to get people with the right skills and attitude here. Another challenge, though not as pressing – yet, is the availability of raw material. Some of our key ingredients come from Ohio and the Midwest. It's increasingly difficult to get it shipped to us whether by rail or road. I would also add that the constant upward pressure on costs is a challenge. Healthcare costs, the cost of complying with regulations, seem to add up faster and faster.

**HV Mfg:** What about the opportunities?

**DD:** I think the eventual – inevitable investment in infrastructure repair will be an opportunity for us. So many bridges need to be repaired. We are well positioned to capitalize on that – especially marine bridge and highway repair – structures that have concrete piers in the water – like the FDR highway and many over water causeways require materials we are able to supply. Also, ongoing construction in New York City. For example some of the 70,000 plus affordable housing units planned for the 5 boroughs are built with concrete blocks which we supply mortar and grout for. We are an integral part of that supply chain. These are very large projects which require hundreds of truckloads of material over their build out.

**HV Mfg:** You certainly have had a big impact on Package Pavement. How would you describe your leadership style – what makes a good leader?

**DD:** I guess my style is to be employee and customer focused. I try to follow the FISH! Model which grew out of the Seattle Fish Market 20 or so years ago. It has 4 elements – I'm not sure I'll have them all exact here but they are basically: choose a positive attitude, play and have fun, make someone's day, and be there. I try to do that and I hope the rest of our 170 employees do the same. If we all do that, our customers will be happy and this will be a positive place to work. As far as what makes a good leader – a few things come to mind right away. One is to have a vision and to communicate it effectively. The second is to invest in people and invest in the plant. Third is to find people that “fit” the company – people who understand the vision and want to help you get there. Finally, it really is about the people who work here. If you have people who want to be a part of the company then we really should all be in it

together... like a family. We have 170 employees and that means there are 170 different individuals with their own life situations and problems. As I've gotten older and dealt with my own personal situations I realize that life is complicated and people have problems that may prevent them from being at their best all the time. So we try to be accommodating and patient and supportive where we can.

**HV Mfg:** We have heard several examples of how you have been patient and supportive – want to share any of those stories?

**DD:** I don't think that's necessary. I mean we've donated to families in need and grief, and we've given extended leave, and we've helped with other expenses for people...let's just leave it at that.

**HV Mfg:** Package Pavement has been a Council member for decades – you serve on the Board and were President of the association. What do you find most valuable about membership?

**DD:** I have really valued being a part of the Board and learning from the other manufacturing CEO's. We take full advantage of the networks, EHS and HR in particular. The energy consortium has been good to us, as has a lot of the training. The Council is really a great resource for a firm our size.

**HV Mfg:** Thank you very much for your time and sharing your story with our readers.

**DD:** Thank you, it was fun.



Ravena Plant with cement and lime silos in the background.