NED HOFFNER: Where Patterns Break

This Philadelphia Contractor Combined Drywall and Selling Skills into Business Success; And He's Diversifying Swiftly

When the engineering profession twenty years ago failed to impress a young Villanova University graduate, there seemed precious little chance that the wall and ceiling industry in the Philadelphia area would be the benefactor.

But when Edgar “Ned” Trainor Hoffner, Jr., turned his back on an engineer’s future in favor of a job as a drywall mechanic, he gratified his father, horrified his mother, and began the business trek that now finds him in the president’s chair of his own growing multi-million dollar construction firm.

His firm, Hoffner & O’Rourke, Inc., with an annual gross business volume of $4,200,000-plus, is headquartered in the Philadelphia suburb of Newtown Square. While most of his work centers around this location, there are projects in Puerto Rico, France and other international spots that bear the stamp of the Philadelphia contractor’s business ambitions.

It’s been that way all along for Ned Hoffner. He never has been—and isn’t now—afraid to break from the conventional pattern. The way he goes after business, the way he handles jobs when he lands them, and the way he cultivates personal growth in his employees, too, all attest to his ability to follow conventional business practice until it no longer applies.

A Quick Break

Then he’ll break quickly, decisively from the conservative mold.

Ned Hoffner talked about his business practices the other day. Steel haired and handsomely craggy faced, the 48-year-old Philadelphia native sat behind the large desk in his busy but uncluttered office. His outstretched hand arced past a picture window, limning in the neatly manicured grounds that lend a sense of disciplined stylishness to the light brown stucco buildings that make up the H&O complex.

“It’s all here, but when I quit my engineering job to go to work as a drywall mechanic my mother was horrified,” he recounted, smiling. “My father, of course, was the one who had originally encouraged me to get into drywall in the late 40s and early 50s.

“He spent his entire career with
United States Gypsum and in Texas he saw what was being done with drywall.

So, working by day in Wilmington, Del., he returned to Philadelphia in the evenings where he made sales calls on the home building contractors, heralding the virtues and potential profits of drywall. In a conservative market like Philadelphia, the selling wasn't easy.

**Lands First Job**

But in 1951 he finally landed his first job. It was for 15 houses and Ned Hoffner was on his pattern breaking way. He and an associate, C. C. O'Rourke, were in the residential drywall business.

“Philadelphia,” he explained, “is a conservative market for housing. It was mainly non-union, so we concentrated on the large tract developers.”

By the early 1960s, though, manufacturers were producing systems applicable to the commercial-industrial market, and Ned began taking a look at the markets which today constitute his entire business. Besides, the housing market was growing soft.

Other vital shifts were taking place during this period and these also added to the foundation upon which the young firm could stake its growth potential.

H&O changed from a non-union contractor to a union shop. Ned bought out O'Rourke, and then set up Penn Drywall Company as a non-union company which could continue to do large tract projects for builders of the Levit size class.

As long as the big housing developers were operating, Penn Drywall had a future and some projects took the Philadelphia firm as far away as Puerto Rico and Paris, France. “Our job basically in France was to train the local contractors over there in drywall application.”

Although he was one of the first to do it, Hoffner ended his double-breasted operation with the sale of Penn Drywall in 1972. By that time H&O had firmly established itself in its own market area.

“You might say we really got on our feet in the early 60s,” Ned said. “General Electric Company was going full blast with its Missile and Space Vehicle Division at Valley Forge, and I just felt they were ripe for a drywall application.”

Through a friend at Villanova, he managed to obtain an interview with GE officials in charge of the giant MSVD operation. As a firm believer in the negotiated job (“My personal feeling is that a contractor should try to negotiate 100 percent of his jobs.”), Ned was confident he had something worthwhile to offer. “Every time the Air Force gave GE a new contract,” he said,

“I'm aware of all the arguments used to justify retentions—most of which are no longer valid—but a major factor . . . is the punch list that is allowed to go on until it becomes a list of maintenance items.”

“the existing buildings had to be completely rearranged. The cost to GE was proving enormous.”

“So I suggested they try putting up drywall partitions.”

**Takes Suggestion**

GE took the suggestion. Of a dozen buildings in the complex, H&O took the drywall contracts on eleven. As Ned explained his heavy emphasis on selling:

“With negotiated work, the ultimate ingredient is trust. When you're selling something that the customer understands, then it's all in your ability to close the sale.

“But in our industry, a building today is so complex that it's virtually impossible to fix the plans for all time and for all situations and conditions. There are changes.
And the customer usually doesn’t understand your specialty. “So, from the beginning, I’ve worked to build a sense of confidence in my firm’s willingness to give the customer an honest shake. We’ll be back. The proof lies in the number of five and ten thousand dollar jobs we get on trust alone.”

Aware of Pitfalls

While he prefers the negotiated route with inspired partiality, Ned is also aware of the possible pitfalls of this kind of work. “I’m not saying that negotiated jobs are for every contractor. If a contractor concentrates on bid work and he’s doing it profitably then that’s the right way to go for him.

“It’s just that a contractor on a bid job really has no obligation to give any more than the plans and specifications he bids, but on a negotiated job you can work with the customer and often give him a better job for the same amount of money.”

But whether it’s a bid or negotiated job, the key to success is controlling costs and keeping a healthy cash flow.

“On a negotiated job, you must watch your overhead carefully because you’ll usually spend much more time talking and negotiating with your customer. A bid job sometimes requires as little as the purchase of a set of drawings, but you can have a lot of time invested in a sold job. You’ve got to get that money back.

“Coupled with that is the reluctance of many customers to pay the contractor’s overhead, particularly by the large, well structured corporations. For some reason, they often think that all subcontractors still work out of their basement with the wife doing the payroll.

“If you mention an overhead figure greater than the traditional 10 percent that so many purchasing agents apparently have been brought up on it’s almost guaranteed to need a long, lengthy justification.”
Hoffner shrugged. “Then we take whatever corrective action seems appropriate. Sometimes you simply take your licking and smile.”

Unfortunately, there are too many cases of smiling and taking a licking in today’s climate of material shortages, prices on date of delivery, and so-called double-digit inflation.

“Some suppliers give us a very bad time,” Ned said. “We take it—but we have a long memory. This situation won’t last forever.

“But in many cases, it’s just a matter of tightening up on management habits. A year ago, we could get any kind of steel we wanted within five days. Now, we have to order more carefully, and on any job we do what we have to do—we guess.

“The average job we negotiate is usually no longer than 18 months, and our suppliers are often in a position to give us additional insight into price patterns.

“The fuel shortage was the same thing. Our allocation was cut so I planned our routes on the basis of greater efficiency. We suddenly

found that we didn’t need the missing 40 percent. It was simply a question of better management, and human nature being what it is we’ve loosened up a bit in the last few months—but not to pre-crisis levels.

“This entire economic situation, I feel, will have a beneficial effect on the construction industry. Things have been so good for so long that we all have grown a bit lazy and sloppy in our management habits. Now we’ll need to go back to fundamentals.”

**Plan is Needed**

No strong believer in the escalator clause as a technique to relieve price uncertainty, Hoffner feels that sound planning is the best solution in this short run and in the long run.

“Any business without a plan is like an accident looking for a place to occur,” he said. “I write down my business plans, commit them to paper. And I have the Project Managers do the same thing. Then we pull out all the information on past jobs, job write-ups, and combine this information into a single plan. It works.”

While the planning process at H&O is not a formal, rigid procedure, it does produce a keen awareness on everyone’s part of where the company is and where it’s heading.

One area where Ned sees his company and the industry heading is into systems, despite the bad publicity attached to some recent experiments that went sour.

“This subcontracting business we’re in now won’t even exist in 15 years,” he said. “I think we’ll become system coordinators, providing the installation know-how according to performance specifications.

“Even now, customers are learning to ask for complete systems, and contractors will find that they are getting involved with more components that make up the entire interior system of a building—walls . . . lights . . . space . . . sound . . . aesthetics . . . movable partitions . . .

“The bits and pieces approach simply can’t survive under these conditions because system construction is more responsive to owner’s needs—and that’s the final criteria.”

**Adding New Capabilities**

H&O is already moving toward such a capability. Although drywall still represents the major dollar earner for the business, acoustical ceilings and movable partition sales are making a steadily increasing contribution.

A new vinyl machine installation can now provide for 48-hour service on H&O jobs as well as for other customers. Company person-
nel have been assigned fulltime to promote negotiated sales among area architects and building owners.

Fiscal 1974 was written in black ink, much to the gratification of company employees, all of whom participate in profit sharing. The year ahead looks bright with new marketing possibilities.

Such growth patterns might require a move from the present location. But Ned Hoffner is watchfully relaxed about it all.

Standing in the company’s attractive sales demonstration room which features a range of sample installations . . . drywall . . . movable partitions . . . acoustical ceilings . . . carpeting . . . shaft wall . . . Ned remarked, “We’ll probably have to move out of here into bigger quarters within the next 18 months at the rate we’re growing.”

Move or not, a small office bar and the typical H&O informality that goes with it will probably become a fixture at any new headquarters location.

“This small office bar was given to me for Christmas by one of our secretaries,” Ned explained, “and people started to drop into my office after 5 o’clock for a drink and a little chit chat.

“It’s incredible how much company communications have improved under such relaxed conditions.” Hoffner smiled broadly, turned and headed toward his office, “And,” he concluded, “after the second drink you’d be surprised at how much you can learn about your own company.”