Precision in the Carolinas

Raleigh’s Milt Hobbs and Loy Allen Parlayed a Shaky Start Into a Two-Year-Old Phenom

They might easily qualify as the envy of every wall and ceiling contractor wanting to make his business a successful one.

But as models for starting up a contracting business their pattern would at best be used to demonstrate how not to go into business and, at the worst, a pattern never to be duplicated.

They’re Milton E. Hobbs, III, and Loy C. Allen, the 35-year-old partners of Precision Walls, Inc., of Raleigh, N.C., and they have demonstrated conclusively that nothing can be parlayed—by determination, hard work, gall, and commitment to efficiency—into something. That something is a $6 million-a-year gross volume, achieved in just slightly more than two years.

To the non-Carolina initiated, Precision Walls is a movable partition specialist company that has the design professionals and general contractors happy to have even such a young company doing such work.

The hardly-fledging-anymore two-year-old firm has such an outstanding reputation for service, on-time completion, quality work and abrasionless performance with other trades on the job that Hobbs and Allen pick their jobs, negotiate virtually every price, insist on the entire package, and then get paid within 15 to 25 days of their invoices.

It's a situation that many veteran contractors have been striving to achieve. For the two Raleigh natives it was as easy as the 20-hour days they plugged into their business in the beginning.

Today, Precision Walls is still the movable partitions specialist it was from the beginning. But diversification has added such construction niceties as fire proofing, drywall, lath and plaster, Dryvit, steel studs, and exterior stucco.

From their attractive one-story, 18,000 square foot headquarters and warehouse complex in Raleigh, Hobbs and Allen cover a 150 mile radius, ranging from Winston Salem to the coast.

Such a level of accomplishment is a long step from the status of the two partners in May, 1977. That's when they were out of work, with no capital or equipment, no idea that they were ready to start a business, but with all the financial responsibilities that a pair of 13-year construction veterans with families normally enjoy.

Both had quit their jobs independently and only a chance conversation led them to consider the possibilities of a business together. Without devoting a great deal of time to think-
ing out the dangers and obstacles, they boarded a plane for Houston, Texas, for a talk with Doug Ragland, president of movable partition manufacturer Raco.

A trial arrangement to market Raco’s system in North and South Carolina was sealed with a handshake. The next plane home carried Hobbs and Allen to Raleigh where they had no job in mind, no company location, no company, and no capital, equipment, or tangible asset. They promptly established $850,000 as their business goal for the year; they hit $2.5 million.

The first job was $350,000 when a general contractor who had known them from their previous employer was willing to take “one chance” with them. The pair hasn’t been on such shaky ground since.

Milton is a native of Raleigh, son of Milton, Jr., a heavy equipment construction purchasing and maintenance executive with Daniels Construction, and Ethylene Bryson Hobbs. A graduate of Cary High School, he was a football end, basketball forward, and a 440-yard runner.

He later attended North Carolina State University, majoring in aeronautical engineering, but left the classroom to become a drywall mechanic for a local wall and ceiling contractor, staying there 13 years.

Married to the former Genie Ware, of Raleigh, who is chief bookeeper for the company, Milton is the father of two children: Milton Hobbs, IV, and Kimberly Gene.

Loy was born in Orange County, N.C., son of retired farmer John C. and Eva Thomas Allen, of Fuquay Varina. He was tackle on the Fuquay Varina High School football team and worked 13 years for the same contractor as his partner.

Married to the former Elizabeth Ann Barbour, of Fuquay, he is the father of three children: Loy, Jr., Angela, and William.

One of the first actions they took after setting up the business was to join the industry with a membership in the Association of the Wall and Ceiling Industries-International. Precision Walls is also a member of the National Federation of Independent Businesses, and the Raleigh Chamber of Commerce.

The success formula has Milton handling sales, marketing, estimating and office administration with Loy running the field and production. It’s been the kind of easy—but clearly defined—collaboration from the start when the hassles of getting under way were most severe.

The name of the company is a good example. Milton came up with a suggestion that Walls be the name since that was the company’s business. Rayco’s Ragland suggested throwing in the word “Precision” to add zing and project the idea of a wall just a bit better and done more carefully than anyone else. Loy, who had used the instrument, suggested turning the “P” in Precision into the company symbol—the micrometer—to emphasize quality and close tolerance.

For Precision Walls’ competitors, the quality and close tolerance has been too much of a good thing going into the third year. And as Milton Hobbs and Loy Allen talk about it there won’t be any shift in emphasis or decline in competitive zeal. The competitors are going to be getting the year after the one coming up, too.

DIMENSIONS: That first job—when everything truly depended on it—must have been a fun operation. Is that a fair assessment?

HOBBS: Truth is, it was fun. We really didn’t have a thing except an agreement with Raco—but Loy and I were known quality and we were trusted. H.J. Hewitt, Greensboro, was the general contractor willing to give us a chance.

DIMENSIONS: And that’s one that got you going?

HOBBS: Yes. We ran it carefully and did the job well. Of course, we had some legal problems starting up, and later our competitors did the usual thing—tried to knock us out with low prices. But we just learned to make a profit below the other fellow’s costs. It was a good lesson.

ALLEN: On that first job, Milt and I were driving all over the southeast for materials, driving them to the job and then getting the billing in immediately. We kid a lot about the 20-hour day—but in that case it was more of a truism than a job. We literally did have to put in the long hours; we still do now, too.
flation you must watch your money and cash flow. We bill as soon as we know the materials will reach the job for that particular pay period.

DIMENSIONS: How do you handle the slow payer?

HOBBS: A.J. Hewitt said, “you’ll be a GOOD businessman only when and if you collect your money.” So, up front negotiations are vital where it’s firmly understood that we expect to be paid in 15-25 days—and we won’t put up with any delays.

ALLEN: When it comes to collecting money that is owed to us, we’re not hesitant to collect. We have worked very hard to achieve a reputation as a quality contractor, providing outstanding service, and finishing on time with a minimum of friction with other trades. We also expect to be paid promptly.

DIMENSIONS: With all the talk about recessions, what is the situation here, and can Precision Walls accommodate a downturn?

HOBBS: I heard a rumor the other day that we’re halfway through a recession in this country. I hope the next rumor is that we’re throughout it altogether.

Seriously, our company has felt nothing and if we don’t get another job for another year we’ll keep right on at the pace we’re now enjoying.

ALLEN: Raleigh is experiencing somewhat of a drop in commercial-industrial construction, but we simply haven’t been touched by it. That’s one of the fine advantages of being movable wall specialist; once you do the building initially you stay with it for its life cycle.

HOBBS: Yes, that’s the lovely “monster” we’re building for ourselves here; the ability to have a “lock” on every change that’s made in the partitioning of the building.

At our present corporate structure, we could very easily dip to one-third of our volume with no appreciable effect. We’re designed for running that lean.

DIMENSIONS: How do you handle marketing—bid or negotiation?

ALLEN: Most of our business is negotiated. We can bid, as I said before, and make a profit below our competitor’s cost. We had to learn that right in the beginning, but I like to feel that our competitors get only the jobs we don’t want.

DIMENSIONS: That means a lot of jobs each year. How do you keep control?

ALLEN: We run an average of 350 jobs a year, or at least we have been averaging that. And control is just a matter of communications, isn’t it?

We color code the scope and area of work, and color code the components. Each job has its own clip board, so to speak, and the foreman—who’s really the best salesman we or any other contractor has—is given the full, honest particulars.

DIMENSIONS: Do you feel that a computer would be helpful, given the
need to accommodate all the data you generate?

HOBBS: The only justification I can see for a contractor having a computer is to avoid paying his bills for 30 days in the excuse that his computer broke down. Obviously, I don’t have a particularly high opinion of computer technology when an accounting department runs less than 5 people.

My wife is the firm bookkeeper and within two hours of a request I can have a comprehensive financial report on any subject in this company. That’s job/progress reports, accounts receivables status, payroll, you name it.

The computer’s shortcoming is the near impossibility of obtaining programs that will give you truly relevant reports. I’m a firm believer in Garbage In-Garbage Out.

ALLEN: Take job progress as an example. You can look at a job and tell where it is relative to your estimates and job progress reports. A couple of extra clerks, as Milt says, is preferable to a computer because they can make a greater contribution.

DIMENSIONS: As movable partition specialists, how do you handle the need to maintain greater inventories to service customers more quickly?

HOBBS: We have our own laminating machine—we need it to compete effectively in this market—so we can make up panels very quickly and have them installed with minimum turn around time.

ALLEN: We’re actually a manufacturing firm. With the Raco system we wrap our own panels, cut our own steel, and do the complete job... door bucks, doors, hardware—all of it.

DIMENSIONS: That means you do system or packaging. How do you handle this approach—and the inevitable challenge of breaking out?

ALLEN: We don’t break out. Why should we be left low dollar on the rough, risky business and someone else walks away with low risk high profit portion.

HOBBS: That’s right. We approach the market on an “all or none” basis. We are adamant about not breaking out. Besides, if you break out you lose control, lose your coordination; you run the risk of losing your profit—and do a lower quality job which is indefensible.

DIMENSIONS: Service means a lot to you, doesn’t it?

HOBBS: Absolutely. Without a doubt. Service is the only thing that separates one contractor from another; we all have the ability to buy the same materials.

We commit and we live up to our commitments. The world buys service, and both Loy and I have absolute confidence in each other when a customer asks, “Can you deliver?” I can look any customer straight in the eye and say, “I personally guarantee it—and so does my partner and so does everyone in my company.”

ALLEN: Of course, Milt and I confer on complex jobs. But both of us

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are mechanics and we have a firm knowledge of the possible and the tricky.

We just finished a job where I knew we were losers the minute I inspected. The previous contractor hadn’t done a good job. The owner knew we were in a bad situation—but we still performed the best job we could and received a letter from the owner, thanking us for a quality job.

DIMENSIONS: What do you do when you see the job is going sour, cut your losses as best you can?

HOBBS: You do—and this is vital to us—the job that you promised to do in the first place. That’s service. It’s also called integrity.

ALLEN: On very few movable jobs will you lose money if you know what you’re doing. Control is where the profit is, and that’s where the risk lies. We package so we can exercise control and thereby limit risk to an acceptable level.

DIMENSIONS: You don’t think much then of the opportunities for a one-service contractor. That is, one who specializes in one function and remains undiversified?

HOBBS: That’s a shack operation. So far as I can see, he’s out, destined forever to nailing on sticks for some small home builder. Growth certainly is limited.

DIMENSIONS: And recently you have added lath and plaster to your services?

HOBBS: Yes, Dick McCallum heads up that division for us and we’re going great in exterior stucco and Dryvit.

ALLEN: The energy situation and the whole concept of conservation make the Dryvit system the way to go on exteriors. It’s light, economical, and provides an additional advantage in that a lighter structure design is made available.

HOBBS: We have higher hopes for Dryvit. Energy is the key nowadays and we’re ready to move with it—outside and inside.

DIMENSIONS: Do you see a growing trend in demountable and movable partitions?

HOBBS: I don’t think there is any doubt about it. It’s a beautiful business because it provides so many advantages to the owner. And he’s the one who pays the bill. We just try to encourage its use among the architects, engineers, and general contractors. They recognize the benefits—and so do owners.

ALLEN: The difference between a permanent and a movable wall is really time. This translates into money for everyone concerned. I can take a team into a building and work around existing tenants without disrupting. My team doesn’t involve a lot of different crafts and we don’t have waiting time for one to finish and another to come in.

We go in and put up a partition system and we’re out—while the permanent wall contractor is still waiting for the next craft to show up.

DIMENSIONS: How about open space planning, the idea of the office as a landscape with partitions viewed as furniture?

HOBBS: We’re in a “wait and see” position on this one. I haven’t heard all that many favorable responses—except from the people promoting it.

Plus, there are a number of high-powered corporations in this market, and pricing is essential.

We’ll keep watching, though, and if the market goes we won’t be forced out. You can bet on that.

DIMENSIONS: As a non-union contractor, how do you meet the trained manpower problem?

ALLEN: We meet it head-on. We hire good people, and I train them. We’ve got the best mechanics in the area, bar none.

HOBBS: You know, that’s the key to everything—people. We’ve got truly fine people in our company. They make us what we are as a service-oriented organization. Without them we certainly couldn’t have grown the way we have nor achieved our place in this market.

We’re not nearly done yet—and we’ve got the people who can do it. And we’re all going to share it, too.