A Sharp Edge in Texas

They Hired Donald Siptak, Turned a Non-Union Business Over to Him—And He Was So Good They Went to Work For Him

Now, is he some kind of businessman?

His employers liked him so much they gave him the business—and then went to work for him.

And Donald G. Siptak, 30-year-old chief executive officer of Hohle Drywall Co., Inc., of 4411 Eli Street, Houston, TX, justified their good judgement by highballing the company from $200,000 a year right up to $3.5 million annually—and he’s still attacking.

The Hohle company is a residential and commercial firm which specializes in drywall, steel studs, acoustical ceilings and doors and hardware. Lately, its fast-moving owner has been casting analytical eyes at the exterior insulated wall systems.

One thing is certain: no one is betting against Don Siptak—especially his father, David, or Pat O’Brien, in Hohle’s estimating department. They’re the ones who owned both Hohle and Siptak, Inc., in 1972 when Don, a card carrying journeyman finisher, came on board as an estimator.

David and Pat had owned the non-union Hohle Company since 1970 following the death of founder Louis Hohle. Within a year of his hiring, Don was made chief executive officer and owner of Hohle Drywall Company. By 1981 Don’s father and O’Brien closed down Siptak Drywall which was a union business. David now works parttime for his son in general administrative duties, and Pat
“On bottom line work you don’t need service. But I still have customers that were originally residential and now as commercial contractors they come to us for advice and consultation. We provide that to the best of our ability. Call it seeding if you want but helping, servicing, assisting customers is part of any successful business.”

is a stalwart in the estimating department.

A native of Houston, Don was a basketball player at Lutheran High School and later attended San Jacinto College. But working evenings and summers with his father's commercial drywall business taught him the trade and with encouragement from his father and mother, Doris Peters Siptak, he went for a career in construction. His brother, David, Jr., and Charles Petzott are also estimators and part owners of the company.

Business affairs consume his time, except for an occasional hunting trip, but the father of two, Donald, Jr., and Misty Marie, still finds time to devote to AWCI, the Houston ASA and Homebuilders chapters, and the National Homebuilders.

DIMENSIONS: The first question that comes to mind, Don, is how much fun was it to be given responsibility for a non-union residential drywall company in the middle of the 1974 recession?

SIPTAK: In all honesty, it wasn’t that bad. I was 20 years old, tough and ready to give it a real go. I simply went out and started making sales calls, telling builders who I was, what I could do, and how well I could do it—

DIMENSIONS: —and, of course, they all welcomed you with open arms?

SIPTAK: I must admit that the variations of “no” that I encountered could have been discouraging. It was tough enough anyway and for a 20-year-old kid it was doubly tough. One old builder I ran into was sitting behind his desk, feet up, cowboy hat tipped down, reading his newspaper. When I was ushered into his presence and started my pitch, he barely peaked up over the top of the newspaper. Never said a word to me. Just pointed his finger—out!

DIMENSIONS: —and what became of that call?

SIPTAK: Oh, I wrote his name down in my salescall book. I wrote, “He’ll be tough.” He has been. I’ve never sold him. But when things got really bad Pat O’Brian would tell me, “Keep at it, Don. There’ll be a time when you’ll have to turn them away.” Sometimes back then, I had trouble seeing Pat’s wisdom, but he sure was right.

DIMENSIONS: But did the sales calls, in your opinion, pay off?

SIPTAK: Without a doubt.
Homebuilding’s usual cycle took place and homebuilding came back with a rush . . . and the people that I’d called on got back in touch.

**DIMENSIONS:** How did you operate in those start-up days? Did you pick up the took, too?

**SIPTAK:** It was strictly a 5:30 am to 6:30 pm operation. I’d line up the work, do the paperwork and then go put in a hard workday. Then I’d come back to the office and do more paperwork.

**DIMENSIONS:** Don, were you aware that non-union construction was coming on strong in the 70’s . . . that the market trend was with you so strongly? Was piecework a part of all this?

**SIPTAK:** Let me break down your question. Yes, it was obvious that the non-union segment was penetrating. Homebuilding’s a tight money business and the builders have always gone for the lowest possible dollar—but commercial contractors were nibbling strong, too.

It was obvious what was happening in Houston—as well as the rest of the country.

As for piecework, we won’t do it. We’ll have nothing to do with labor only work.

**DIMENSIONS:** But most of your annual volume now is in commercial work, isn’t it? That doesn’t usually lend itself to piece work as readily as residential?

**SIPTAK:** Commercial work doesn’t lend itself to piecework because the way the market is now the mark-up isn’t there. Like I said, we must sell the material on the job or we simply won’t accept the work.

**DIMENSIONS:** You say you’ll never accept “labor only” work?

**SIPTAK:** That’s right. The only special situation where we’d consider it is to finish up for another—but that would only be to get the next phase of the work. There’s been more of that kind of thing in the last couple of years as some of the competition load way up on work and then can’t finish it.

**DIMENSIONS:** What’s causing this—drywall contractors not using their head or general contractors buying cheap?

**SIPTAK:** Both ends of the equation are bent. We have regular customers and when times are good for them they’ll negotiate prices with us. But if
and lowest dollar bid—even when this number is sometimes below cost?

SIPTAK: We avoid track houses or apartments. We do custom houses where the builder can afford a quality installation on the grounds that he’ll get a respectable price. Consequently, we get a better price from the custom builder—and we can better service that builder as a result. You still get what you pay for in this world, and you’re right, “the bitterness of poor quality is remembered long after the sweetness of a cheap price is forgotten.”

DIMENSIONS: In the residential field, what’s the definition of service? You mentioned that you can better service a quality builder?

SIPTAK: There’s no mystery to service: you do what’s needed. On bottom line work you don’t need service. I still have customers that were originally residential and now as commercial contractors they come to us for advice and consultation. We provide that to the best of our ability. Call it seeding if you want, but helping, servicing, assisting customers is part of any successful business.

Smaller builders still want and need service. If we’re not going in low dollar where we’ve needed to eliminate these extras, our customers know we’ll provide good, solid, reliable service consistent with a quality installation.

DIMENSIONS: With the cost of money what it is today, there isn’t that much space to negotiate, is there?

SIPTAK: Yes, there’s plenty of opportunities. Truth is, if we had to compete—even as a non-union contractor—on the open market today we’d really hurt. Our regular customers make it possible for us to remain in business at a modest profit. When you want a customer you nurture him—and he’ll save you when you need him.

DIMENSIONS: If you find it hard to stay alive as a non-union contractor in the open bidding market what about the union contractor?

SIPTAK: I’d say he must really be having his problems about now.

DIMENSIONS: Whether you negotiate or bid you still have the challenge of management. What’s your company policy on general contractors and the superintendents they put on the job?

SIPTAK: Generally speaking, I feel our foremen are more capable of running most jobs than a GC’s superintendent. Whenever we get a job, our estimators put the superintendent’s name down and our super visits with him to go over the job. If he’s one who’s going to eat our lunch at the job—in other words, cost us money—we’ll find ways to accommodate the situation. We have a good book on the GC people in the Houston area and you just don’t forget a guy after you’ve worked with him. If he’s questionable we put a job on special treatment because those guys can make or break a job for you.

Let’s face it: you have only a few options. If you know a GC is trouble you break off the relationship. On some jobs you simply coordinate yourself with other subs to complete the job and get out.

DIMENSIONS: How about pre-job conferences?

SIPTAK: They’re virtually a must. You have to keep your progress board current. You can get hurt with old customers with whom you haven’t kept current. They can have a change in status that’s damaging if you don’t know about it.

Check out everybody, I say—old and new customers alike. Find out about the owner, too. If he’s local, you’re normally safer about finances and you can protect yourself better.

DIMENSIONS: What about your own in-house management? Weekly meetings, progress reports . . . that sort of thing?

SIPTAK: Every Tuesday morning a 7:30 am SHARP! our weekly staff meeting begins and lasts about 2½
hours. The agenda covers material problems, specific jobs and scheduling, problems, difficulties.

I want everything covered and, especially, small problems—before they grow into big ones. The problems are written down with responses and then are reviewed at the next meeting by the individual responsible.

We cover any new jobs and when the contract is in hand it goes on the board.

DIMENSIONS: The foremen—they get full information, don’t they?

SIPTAK: Of course. The more up-front information you get into the job packet before the job starts the better off YOU are. A foreman functions best when he knows what’s expected of him.

DIMENSIONS: What about the small jobs, Don? I mean you can’t control them all that well from the office and you really don’t have time to fill out progress reports?

SIPTAK: That’s right—and a contractor shouldn’t spend a lot of time worrying about them. Many jobs at $10-$30,000 are too quickly finished before any report can be made. The control is in the initial planning and you just go ahead and do them with the expectation that your managers are competent to bring the job in profitably. The bigger, more complex jobs can then be given your attention.

DIMENSIONS: The computer revolution? Has it caught up to you? Do you need electronic assistance to generate the information you need to continue your span of management control?

SIPTAK: We have a time sharing service and many of our reports are done manually. Our systems have been quite satisfactory—but we’re now getting set up for better information management.

I’ve heard a number of contractors getting bit — and bit hard — on computer horror stories. You can bet that we’ll concentrate on software . . . on our needs . . . before we start buying the first piece of hardware. I expect to have a terminal in my office soon.

DIMENSIONS: Money is reported to be expensive for all contractors. How is your payments situation?

SIPTAK: Early 1984 has been the slowest that payments have ever been for us and a large portion of my time is trying to stay current. We’ve needed to get a line of credit because of our payment situation because I’d rather borrow anytime than miss the discount.

But just the system of progress payments itself is responsible now for 60 days from the time you start a job until you see the first payment.

DIMENSIONS: What do you do to
try and accelerate payments?

SIPTAK: On larger work where there could be a drag we try and pin down specific dates and even where they have proven difficult you’ve at least put them on notice that you want to be paid promptly and that you’ll track the progress.

It’s less of a problem with home builders because there you’re often dealing with hand picked customers . . . on a personal basis . . . and you have a working relationship over a long period with them. When they hold up payment there’s generally a genuine reason.

DIMENSIONS: It sounds as though you don’t have your own subcontract form? Do you use the GC’s?

SIPTAK: We don’t have our own, true, and most of the time we’re in a “take it or leave it” situation with the customer’s form. We’ll scratch clauses that are too bad and insert our own:

in 95% of the cases our changes are accepted.

Regarding payment clauses, that’s tough. The GC is often stuck with his payment clause—and so are you as the sub.

DIMENSIONS: But there are such areas as back charges and change orders that can become a bit sticky with the wrong contract language?

SIPTAK: In the majority of cases these days you just don’t work with a handshake, You can avoid back-

charges by reading the contract, keeping your work areas clean—and writing a confirming letter or letter of understanding when you suspect something.

DIMENSIONS: —and change orders? Is that handled similarly?

SIPTAK: When a superintendent tells one of my foremen to do something, it’s written down, authorized, and a copy goes to everyone involved. On the jobs, I have two superintendents and I visit with them every morning and evening. They tell me of these developments, and we get the letter off immediately.

DIMENSIONS: But what about the work itself? Do they go ahead prior to signed authorization?

SIPTAK: I was addressing major contract changes or interpretations when I spoke about getting off letters. On change orders, each of our foremen has his book with change order forms. When those forms are executed by the proper authority, the work starts immediately.

You don’t like to operate that way but these days you really need to be firm. When the time comes to be paid you look at the contract and who signed what at what price. Memories tend to get vague.

DIMENSIONS: Don, your father and Pat threw up their hands as union contractors. As a non-union operator you must hustle for a profit. Where do you see the union contractor going in the Houston area?

SIPTAK: I don’t know how a union contractor at $30 an hour can compete, but they’ve apparently found some way. They compete for some of the bigger downtown jobs but it’s mighty tough elsewhere.

The union sector is making adjustments now to regain a competitive footing—wage concessions, rollbacks, freezes. It’ll take time and non-union contractors will continue to penetrate at least for the next couple of years.

But you know, money and wages are not the only differences. We have flexibility of management and our jurisdictional breakdowns are natural—not contractual or in response to inter-union work protection.

The unions aren’t dead. There’s a place for them—and there’s a place for us non-union contractors, too.

That’s part of what makes contracting the exciting business that it is.