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Responding to God's Guidance

Craig Hoekenga
Microboard Processing, Inc.

C*raig Hoekenga is CEO of Microboard Processing, Inc. (MPI), a very successful subcontract electronics manufacturing company located in Seymour, Connecticut. There are many reasons why Hoekenga would stand out in any gathering of CEOs, but one of the most arresting reasons would be that Hoekenga credits his success to God and considers MPI a "Christian business." The New England Journal of Entrepreneurship editors started with a plant tour and then caught up with Hoekenga in his office.*

NEJE: Things seem to be really busy in your factory area. Hasn't the recent slowdown in the telecommunications field hurt your sales?

Hoekenga: Yes, our revenue is down a few percentage points from the same period last year, but not anywhere near the disastrous drop-off that some of our competitors are experiencing. In fact, despite the problems we've encountered with the telecommunications industry, our profit has stayed pretty much the same over the past three years.

NEJE: How come?

Hoekenga: I can't pat ourselves on the back and say we saw this whole high-tech downturn coming. That wasn't the case at all. But we are ferocious when it comes to cutting costs and improving productivity, and we have learned to adapt quickly to changes in the marketplace. We have worked hard to get to where we are today. I believe that God has been with us as well.

NEJE: You have prints of Jesus Christ in and around your office and a carved wooden plaque that says "Jesus is your 'master.'" Have you always been so deeply religious?

Hoekenga: No, I left religion when I was 17 years old and didn't return for roughly 20 years. I had a religious conversion on a plane coming home from California on one of my frequent trips to the West Coast and I've been a different person for the last 20 years.

NEJE: What happened exactly?

Hoekenga: I was consulting three days a week for companies like IBM, GE, GTE, and UTC because I had gotten quite a reputation for fixing corporate problems in

operations. I was leaving Connecticut every Monday night, and not returning until Thursday night, earning in excess of \$500,000 a year during the 1980s, when I heard God speaking to me on a flight home from San Francisco. Basically, He told me to quit consulting and pay more attention to a small side business I was involved in at the time.

NEJE: How was this side business doing?

Hoekenga: Oh, not particularly well. I owned a small telecom equipment repair business with 50 employees generating about \$3 million in business each year. When I returned to run this business in late 1990, I felt we would have to get out of the repair business (about \$2 million of the \$3 million and concentrate all of our efforts on manufacturing). The problem was we needed \$1.5 million in machinery to get started and all I had was \$5,000 in the bank.

NEJE: Did we miss something here? You were earning a huge amount of money every year, but all you had was \$5,000 in cash?

Hoekenga: That's right, when I returned to God, I promised I would give Him my excess income each year and sell the property I had acquired, and give the proceeds to world missions. Therefore, I had only \$5,000 in the bank at this time.

NEJE: Did your wife or children say something like, "Craig, have you lost it? Why are you walking away from all that money?"

Hoekenga: No. As a matter of fact, my wife was delighted with my decision. She said she had been praying for years that some day I would come back to the church and change my lifestyle and now that I was walking with the Lord she would support any decision I made. My dad, a church deacon, was very supportive of my decision as well.

NEJE: How did you manage to "find" the \$1.5 million you needed?

Hoekenga: That was an interesting experience! Or, should I say, set of experiences. While I was thinking how exactly we were going to get into the subcontract electronics business around 1990, we were approached by several businesses in the area asking if we wanted to take used

machinery and assorted business inventory off their hands. Remember, there was a serious recession in 1991–92 and companies were scrambling to raise cash.

We were good negotiators and we managed eventually to buy millions of dollars of physical assets located in area warehouses for just pennies on the dollar and then resell the equipment for much more than we paid for it or use it in our facility. In the course of less than 90 days we had raised the money we needed to buy our capital equipment and/or had acquired it through inventories we had purchased. That was the first miracle I saw God perform in our business.

NEJE: That's certainly not something you learned in college!

Hoekenga: No, in fact I never graduated from college. I attended Michigan State University and I was in my freshman year when my dad told me he could not afford to pay my tuition bills. He had six other children to consider. I was working 45–50 hours a week as a custodian but it wasn't enough to keep me in school so I returned to Connecticut and went to night school at the University of New Haven for five years. I was two courses from graduating when I started my first business.

NEJE: What happened next?

Hoekenga: I returned to Connecticut and worked first for Exide Battery, then took a job with Remington Shaver Products in Bridgeport managing the customer correspondence group. Within two years, I was put in charge of its 144 service centers and had 550 people working with me. I also suggested a direct mail campaign to warranty cardholders because I figured they were an untapped "gold mine" for the company. A good direct mail response rate is 2 percent. We achieved a 22 percent response rate! During my time at Remington, I really wanted to work on my own, so with another Remington employee, I offered to buy about 20 of the centers and we expanded the business to include working on Norelco, Schick, Ronson, Braun, GE, and many other small appliance manufacturers.

Victor Kiam bought Remington a few years later and asked me for help in turning around the rest of their service centers. They just weren't making any money for the company. That was my first consulting job and I continued to consult for many Fortune 500 companies over the next 15 years.

NEJE: The business then morphed over the years into MPI.

Hoekenga: Yes it did. MPI was started in 1983 and I started to run it full time in 1991. Now we do business with some of the biggest names in the industry including JDS Uniphase, Intel, IBM, NEC, and ASML. In fact, we recently built the systems that overhauled the entire East Coast

Air Defense System, run the train system in Italy, and we have built millions of the in-store coupon dispensers that you see in supermarkets around the country.

NEJE: Do you always know what the end result will be for the boards you build for customer orders?

Hoekenga: No, many times we don't know until after the fact, since we build to our customer's specifications. For instance, for one of our customers we built the systems that helped the Montgomery County, Maryland, police handle all the phone calls coming in on the recent sniper case in the D.C. area. The system worked so well our customer congratulated us for our part in a successful conclusion to the whole situation (much to our surprise) and told us the state of Maryland would be following up with orders for more systems.

NEJE: Another thing we noticed during the plant tour was every station has a computer monitor.

Hoekenga: The monitors you noticed are used by our employees to keep in touch with customer changes in board manufacturing requirements. We are as close to paperless in our manufacturing operation as we can be. It took a bright young engineer 18 months to help develop the software, but after a six-year commitment to upgrading our systems, we are now one of the leaders in the industry. Others talk about "going paperless on the manufacturing floor," we truly are.

NEJE: How has your company managed to keep profitability up in a very difficult business environment?

Hoekenga: We run a conservative business. We like to hold onto cash and negotiate with our suppliers from a position of strength. We negotiate better deals that way. For instance, we pay our invoices within 10 days and ask for a 3 percent discount. That equates to 102 percent on an annual basis. I don't understand why other companies aren't taking advantage of the same opportunity. Instead, they try to treat their suppliers like bankers and stretch out their payments for up to six months. The suppliers, knowing this and figuring that some of these clients won't pay their invoices at all, have increased their prices to reflect this risk of doing business. With us, they know they'll be paid immediately and there is no risk at all. We get terrific pricing that way.

However, I urge our purchasing department to be fair and not ask for a deeper discount than the supplier can reasonably afford. We recently set goals of reducing our company costs by 20 percent. We had one instance where one of our employees actually negotiated a 25 percent reduction. I looked into it and thought it was unfair to our supplier. I asked the employee to call back and say we would be pleased to receive a 20 percent discount and to adjust their prices back up 5 percent. You can imagine the surprise on the other end of the phone. Yet I think it was the

right thing to do because when the economy gets going again, this supplier won't drop us because it resented us squeezing its margins so much. After all, the supplier has to show a profit at the end of the day just as we do.

NEJE: What about "bad debt" in this current environment?

Hoekenga: Since 1991 right up to today, we've had a grand total of \$18,000 we've had to write off. That's it. I believe God has protected us and we've worked hard at our client relationships. "Bad debt" has not been a problem for us to date.

NEJE: What about inventory write-downs, especially when the telecom industry orders deteriorated so badly the past two years?

Hoekenga: We saw a potential loss of millions of dollars in inventory literally overnight. It was scary. But we have a terrific management team here and we put our heads together to come up with solutions. We had to write down some of our inventory but it was no more than a few hundred thousand dollars. We are coming out of this business cycle stronger than ever and I think 2003 will see tremendous growth for us.

NEJE: You've certainly beaten the odds. Yet you dress casually and don't seem to reflect the fact you must be worth millions.

Hoekenga: On the contrary, I don't own anything. Like the biblical Job, I came into the world naked and naked I will leave. I don't even own a car. Whatever excess money I have at the end of the year goes to world mission projects.

NEJE: You own nothing?

Hoekenga: My wife is taken care of because she has income property in her name, and our three children together own income property. I put the company in a 25-year charitable trust; 11 years are gone since I started the trust with 14 more years to go. In 2016, our children can decide what to do with the company; it will be their decision, not mine. I pray they will continue to help others as they do today. The present management can run the business with or without them.

NEJE: What jobs do they have here in the company?

Hoekenga: They don't. I wouldn't let them stay here after graduate school even though each one of them was a great employee. I insisted they leave for at least 10 years before they consider coming back. Do I miss them? Sure I do! However, I believe it's best for their own growth experiences to have independent experiences before committing themselves to any business. They may choose not to come back to MPI and I would be fine with that.

NEJE: During the site tour, we couldn't help noticing a lot of the employees are ethnically diverse.

Hoekenga: "Minorities" make up 70 percent of our factory workforce, and we just promoted a woman to vice president of engineering.

NEJE: Is this part of your doing God's work?

Hoekenga: Yes, it is. Our initial factory was located near Bridgeport, Connecticut, which has a large minority population. We were approached by local clergy who asked us to hire city residents, some of whom had never been able to hold down a full-time job before or who had addiction issues, such as drug and alcohol, been in prison, or were unemployed and/or physically or mentally challenged.

We worked closely with several area churches and we've hired dozens of people who many other companies would have considered too risky or too hard to train. Believe me, we've had our share of failures, but we've also had wonderful success stories like the gang leader who showed up one day and asked for a job.

I thought he was kidding, but he was earnest in his approach to me so I hired him. There were employees in the beginning who were very afraid of him, but he stayed for years and became a team leader. We believe strongly in giving every human being a second chance. Our human resources department gets stretched a bit working with some of our employees. We need to understand and be sensitive to the time it takes for them to appreciate what it means to work regularly and do consistently excellent work.

NEJE: How long is that?

Hoekenga: We remain patient with every new person and work hard with them to develop their innate skills. I know this isn't a prescription for everyone. I'd say our success ratio is around 50 percent. Some employees turn back to the streets, drugs, or liquor. I'm upset when that happens. But for those who make it, we're proud of them because they've broken the cycle of poverty and despair.

NEJE: How have your neighbors reacted to this commitment to giving employees a second chance?

Hoekenga: Sorry to say, not always well. Before we moved to Seymour, we had selected another site in a town adjoining Bridgeport and I had pretty much sealed the deal with the building contractor with a handshake. We committed to spending \$4 million on a new plant location. At a local planning and zoning meeting, I was confronted by people who said they were afraid I was going to hire murderers and former prisoners, who during their lunch breaks would threaten their children with harm.

I was surprised at their anger and their fears. I told everyone in the room that at no time during our company's history did anyone associated with MPI do anything harmful or threatening during work hours, but our

prospective neighbors remained adamant. When we realized what we were up against, we told them we would look elsewhere.

The very next day, this property in Seymour became available. It took the previous occupant \$5.5 million to build our present facility, but we were able to purchase it for \$2 million. I've learned that when one door closes, another opens up. It's God's way of increasing our faith.

NEJE: As a Christian business, do you proselytize to your employees or to the people your company has relationships with?

Hoekenga: No, not at all. I noticed once that several young employees who had done some missionary work before coming to work here had started to write inspirational messages on outgoing products. I put an immediate stop to it. It's just not appropriate.

We have a Christian prayer session every Thursday during lunch hour and folks can join in or not. We have a chapel near the front of the building and employees know they are welcomed to use it any time. We also have a fund set aside so that any employee can borrow up to \$300 once each year, interest free, with no questions asked to get over a little bump in the road.

Also, when it comes time to divvy up the profit at the end of the year, we take care of all of our employees starting with factory bonuses first. We have a caring attitude around Microboard and the folks who work here reciprocate by working hard. Sometimes their commitment to the company goes a bit overboard and I literally have to chase them out of here at night.

NEJE: What keeps you motivated?

Hoekenga: I love change. I embrace it. Technology drives everything we do here at MPI and with the frenetic dynamism we face, no two days here are the same. Ever. You might have 10 projects you're working on, get one done and be forced to temporarily put the other 9 on hold, because of new demands that day. We either adapt or we die.

—J.S.

—L.W.