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## FES 2011 Hall of Fame, Tom Schrack Sr., CEO, Hockenbergs Food Service Equipment & Supply Co., Omaha, Neb

**Treating customers, suppliers and employees all the same, Hockenbergs' Tom Schrack has built a career with honesty, integrity, charity and faith as its cornerstones. And now it has earned Schrack recognition as *FE&S*' 2011 Hall of Fame Award Winner.**

Written by Joseph M. Carbonara, Editor in Chief

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What you see is what you get when it comes to Tom Schrack Sr., chief executive officer of Hockenbergs, an Omaha, Neb.-based foodservice equipment and supplies dealership. And the foodservice industry is better off as a result.

"With Tom it's faith, family and integrity — when you look at Tom you see a person that exudes each of those qualities," says Jerry Greene, a longtime friend and president of *Hotel and Restaurant Supply*, a Meridan, Miss.-based dealership. "When you talk with Tom you know for a fact that is the way he is. There are not many people that when you meet them you know that is what their makeup is. He is the most humble fella you will ever meet. That's just the way Tom is. And it permeates all through his family."

Schrack is, indeed, very humble. But beneath that low-key demeanor is a very hard-working and incredibly smart businessman that has taken his company from \$3.3 million in annual sales in 1986, the first year his family owned it, to \$81.7 million in 2010. What's more impressive than how much Hockenbergs has grown is the way the dealership has accomplished all that it has.

If you are reading this looking for a secret formula that helped Schrack and Hockenbergs grow to be the 14th largest dealer in the country, according to *FE&S*' 2011 *Distribution Giants Study*, stop now. Schrack and Hockenbergs have sustained such an impressive run over the past 25 years thanks to hard work, honesty, integrity and a willingness to treat everyone the same, whether that person is a customer or supplier makes no difference.

"It was never about the money. For Tom, it was always about building a business, being truthful and treating everyone with integrity," Greene says.

### Humble Beginnings

The second of four children in his family, Schrack entered the foodservice industry working part-time for Wilco Fixture, a local distributor, while enrolled at the University of Omaha. "I did not have any money and mom and dad did not have much money either," he recalls. It was not long before both parties ran out of money and Schrack had to find another way to fund his education.

So in October of 1954, Schrack and a few of his friends signed up for the draft, thinking they would serve their country and upon their discharge the GI Bill would help them pay for college. Unfortunately, before they entered the service President Eisenhower did away with the GI Bill. "But you had signed up so you still had to go," Schrack says. He and his friends began a two-year hitch in the Army in February of 1955. And upon his discharge in 1957, Schrack returned to work for the same Omaha foodservice distributor.

Eventually, Schrack would go to work for Pegler's, another Omaha foodservice distributor that is now owned by Sysco. While Schrack enjoyed working for Pegler's, he was having trouble making ends meet. The company was paying its sales force a salary instead of commission and that meant Schrack had to work other jobs like bartending and cooking to help pay the bills.

He stayed with Pegler's as an equipment salesman until 1973. "One of the toughest decisions I had to make was when I left Pegler's," he says. "I had six kids and had to feed them. I was fortunate enough to land with Hockenbergs and I have been on an upswing ever since." Little did Schrack know at the time the decision to leave Pegler's would trigger a series of career-related events that would dramatically alter the course of his career from salesman to business leader.

When Schrack landed with Hockenbergs, the company had a pretty solid foundation and was poised for growth. The dealership had a nice portfolio of customers that would come to include the fast-growing *Godfather's Pizza* chain. In fact, one year *Godfather's* added 153 stores, which meant Schrack was working 80 to 100 hours a week and had the phone glued to his ear.

*Godfather's* saw something in the dealership and bought it from the Hockenberg family in 1983. Thirty days later, *Godfather's* was purchased by *Charhouse*, another restaurant company that became *Diversifoods Inc.*, a very large *Burger King* franchisee. Eventually, *Pillsbury* gobbled up all of these companies. As a result, Hockenbergs sat in limbo for a year and half, Schrack says. "They did not want to do anything — just keep doing business the way they always had," he adds.

Schrack had approached *Pillsbury* about buying the dealership and even made a few offers but the conversations never seemed to get very far. "Following *NAFEM* in 1985 I said I wanted an answer," Schrack remembers. "They said they were going to analyze the company. A week later my son Tom and Karen Malloy quit their jobs with the dealership and at that point the people running the company for *Pillsbury* said they wanted to talk.

"So we went to Minneapolis and had a cup of coffee with them. They asked, 'How much do you want to pay for the company?'" Schrack says. "We told them we had made offers

and now we want to know what they wanted for the company. It took them 20 minutes to tell us they wanted \$2.2 million. I looked at my partner, Kevin, and asked if he had any questions. He said no and we got up and walked out. Did not say a word. As we were headed toward the elevator, a guy chased after us, put his hand on my shoulder and said 'I think we can make a deal.' It was all a poker game."

So Schrack and his partners went all in and eventually came away with the dealership, sealing the deal on December 20, 1985. "I knew what was there. In 1979 Hockenberg's was the thirteenth largest dealer in the country, doing somewhere between \$17 million and \$18 million in sales," he says. "We had Godfather's and all of KFC's business, Happy Joe's and a couple of other smaller chains. So I knew what the company was capable of." Schrack and his partners set a goal for the dealership to eventually reach \$20 million in annual revenues. "We were almost there before and I felt eventually we could get there."

What he did not know was that the company's revenues would bottom out during his first year of ownership, coming in at \$3.3 million in 1986. "It was very scary," Schrack recalls. "One of the guys who bought the business with me was an accountant so he knew the numbers." That proved to be beneficial as the company was able to collect on two-thirds of the receivables that it inherited as part of the transfer of ownership.

From that point forward, Hockenberg's would begin an ascent toward the top of the foodservice equipment and supplies industry that continues to this day, with the company operating seven locations and employing 150 people. "I thought we could make it but not like we have," Schrack says. "It grew beyond my expectations. We just had our annual sales meeting and I asked the guys if we could get to \$100 million in sales and they said no problem."

When he acquired the company with his partners, Schrack's plan was to buy them out once the business became profitable. "And we did that within four years of buying the business," he says. "At that point I felt comfortable knowing we were over the hump and the family now owns the business. I knew we were on solid ground and would be able to grow from there."

Despite his foodservice industry knowledge and experience, Schrack leaned on his business partners for more than just their financial support during those first few years of owning the company. "When I look back, I was a salesperson first and I found out that I did not understand the mechanisms of a business. It was horrendous," he says. "During that first year my partners — they were very good business people — taught me an awful lot. I was fortunate to have the right friends at the right time."

And as the business has evolved, so too, has Schrack. "Probably the area I have seen him change the most is in his confidence. He feels more sure of himself and has a handle on what he is doing and the direction he is taking the company," says Tom Jr., now president of Hockenberg's. "His biggest strength is that he is well-read and connected. He has a good handle of what's going on in the industry. When he leads, people follow and feel confident in his decisions."

The two areas where Schrack has not changed are in his very personal approach and in his passion for the business. "I have never seen Tom do anything half way. It's always 110 percent and things are done in a special way," says Kimberley Gill Rimsza, president of TriMark Gill Marketing, a Phoenix-based dealership. "His word is his bond. His handshake is binding. And his smile lights up the room. Tom is just a quality person. When I think of the times I have worked closely with Tom, it has been such a pleasure to have that experience. I think his legacy is that he wants everyone he touches in his life to be better."

#### Personal Touch

Indeed, an appreciation of people is one factor that continues to shape Schrack's approach to doing business and, by default, that of his company. "It's a people business. We have been very fortunate with the people we hired," he says.

When it comes to the people aspect of the business, Schrack is a bit of a throwback to an era where managers expected a lot from their employees but they gave a lot back. "He expects the best from us but, in turn, he gives his best to us all," says Mary Parr, Schrack's daughter and a buyer for the dealership. "He is strong-willed and that gives him a good business ethic that carries through everything he does."

Throughout the company, Schrack's work ethic is the stuff of legend as he leads by example. "He does everything around the business that is required to run it," adds Tim Schrack, one of Schrack's two sons in the business today. "You can see him mopping floors, stocking the shelves and even working on the used equipment, making sure it is straight. It is pretty wild to walk by and see that and I know the other employees see it. I have had a couple of good bosses outside the company that remind me a lot of my dad. And it makes me understand how other people see my dad."

Despite the fact that the company has grown considerably since his family took ownership, Schrack remains focused on its performance. "As far as his work ethic, he has always worked 60 or 70 hours a week," Tom Jr. says. "It is hard to beat him into the office and it used to be hard to leave after him. He is a laid-back leader but expects people to get their jobs done. You usually know exactly where you stand with him and know what is expected. Because he treats everyone fair everyone is willing to go that extra mile for him. He is always one to do whatever it takes no matter what the job is."

Each morning Schrack reviews a report that summarizes all of the previous day's orders from each Hockenberg's location. "And if I see that the margin on one order is too short I will call the salesperson to discuss. Or I might say to them, you did a good job with that one," Schrack says. "It is impossible to know everything but I try to stay on top of sales. Some of our guys still ask me 'how did I know that' when I call them about something that's happened."

Schrack's clear and concise communication style is also pretty fair and it is that way across the board with customers, employees and suppliers. "I am probably too warm but I like people. I like working with people. Sometimes I get mad and blow my stack but my kids have tempered me over the years. I just want things to be right for our customers and our people."

What's interesting is the fair but direct way in which Schrack approaches his customers. "He likes to help the customers build the best store they can have and wants us to do what



*During Schrack's time with the company as an employee and an owner, Hockenberg's has always looked for ways to actively grow the business through various means, such as participating in a local trade shows*

we have to do to sell the customer the best possible equipment they can afford because it pays off in the long run," Tom Jr. says. "I remember him pretty forcefully telling customers they were doing things wrong and wondering how this would play out, but in the end, with what he knew and was able to impart on them, they usually remained our customers and he helped them out in the long run."

Adds Tim Schrack, "He always told us that when he was calling on accounts he went in through the back door and treated the dishwasher the same way he treated the management. Those are people that work their way up through the industry and history has proven that those people come back to own their own business one day."

The key is in Schrack's ability to manage his message. "It does not come across as mean," Tom Jr. says. "If you are watching the conversation from afar you might have reason to pause. But the customers eventually came to appreciate what he knows."

Still, there are those rare instances where a customer may not fully appreciate the assistance Schrack or a Hockenberg's associate is trying to provide. During those moments, Schrack is not afraid to take action. "Three months ago we had to fire a customer. He was working with Paul Parr and thought you could draw a kitchen, including the plumbing and the wiring in one day," Schrack recalls. "When Paul told him it took more time than that [the customer] said that we were not doing our job and he would have to go elsewhere. Paul showed me this email and I sent him a note back saying that we did not want his business. [Paul] could not believe it."

And that was not the first time Schrack had fired a customer. "I remember one time someone came back and told me that a customer was chewing up Buddy, one of our salespeople," Schrack says. "So I went up front and heard the last of what he was saying. I looked at the customer and said, 'Jerry, please leave. We don't want your business.' I think people respect you when they know you have their back."

That philosophy extends to the way Schrack and the Hockenbergs team approach their supplier relationships. "He respects the suppliers and really enjoys working with them," Mary Parr says. "But it is a working relationship and he expects things from them and they expect things from him. So they have to work hand in hand."

Schrack adds, "This is not an adversarial relationship. We will ask for better discounts if we think we need them and we don't ask if we don't feel we need them. We have to work with them and they have to work with us. We need the factories. We need the reps. And we need the dealers. A lot of the people think you can write one of the three off and the industry would be alright. But for the industry to continue to grow we need all three."

That last statement drives home another key aspect of Schrack's success. "He recognizes the bigger picture and understands the value of the industry and the importance of the industry," says Rimsza.

#### One to Grow On

Growth is something that has always been top of mind for Schrack. "He has always said we need to grow or the business will die," Paul Parr says. "He will say he's not very smart but he is a very smart man. He has led us in a direction to find those opportunities and helped us find some people that work very hard and help the business grow. Some of the growth has been planned and we've had some nice breaks along the way. But Tom's certainly worked pretty hard for it along the way."

What's interesting about Hockenberg's' growth path, though, is the fact that its evolution as a company is based more on its willingness to invest in the right people and ability to know a good opportunity when one appears. Simply put, the company's growth is based on old fashioned hard work and the unspoken understanding that if you take care of the customers, suppliers and employees they will take care of the business. "We never set a goal to be this large but it seemed like at the end of every year we were surprised to see where things lead," Tom Jr. says. "You work hard and every once in a while you pick up your head and say jeeze, I can't believe where we got."

For example, a few years ago following a chance meeting at The NAFEM Show Schrack brought Mike Bainum, a longtime member of the industry, into the company to lead Hockenberg's' Kansas City office. Bainum brought along with him some people he had worked with previously and business took off from there. "I knew Mike from working in the Kansas City market and from our buying group," Schrack recalls. "I very much respected him – not only his business ability but as a person. He has always been straight."

But being a straight shooter seems to be a prerequisite for becoming part of the Hockenbergs team. "And our other managers are top notch people, too," Schrack adds. "We could not grow if we did not have such top-notch and experienced people."

#### Putting Family into the Family Business



*Over the years, the Schracks have made Hockenberg's a true family business and yet they do a very good job of not bringing the business into family times.*

as she married Kris Galas, a Hockenberg's' customer. The two now operate a catering business.

As much as the company has grown, Schrack is equally as proud of the way his children — and now a grandson — have developed within the business. "They made their own decisions to join the business," he points out.

Tom Jr., previously an accountant for Omaha-based Boys Town, was the first one to join the business. He came onboard in 1983, two years before Schrack bought the company. "Bad timing," says the elder Schrack. Today Tom Jr. serves as the dealership's president, a position he has held since 1999.

Son-in-law Paul Parr, now vice president of contract sales, started working part-time after graduating college. "When I first started, I worked in the warehouse and made some deliveries and was interviewing with other companies," Paul Parr says. "Then Tom Jr. asked if I had thought about working in the family business. I had thought about it and when Tom Jr. threw it out there, I thought if you are going to work hard what better way to do it than by working for and promoting the family business. It's been great."

In addition, Mary Parr, Paul's wife and the daughter of Tom Sr. and Mary, has worked in the business for 23 years and is now a buyer. Of course, Mary's ties to the business extend all the way back to when she was 12 years old. At that time Tom Sr. would bring Mary and her sister Cheryl to the office on weekends to help with the filing. And although Cheryl does not work in the business, her life certainly has been impacted by it seeing

Tim Schrack lived in San Antonio for seven years with his wife Nancy, working for an equipment rental company. "I had heard him on the phone and knew he could handle people," Schrack says. "So when they wanted to come back to Omaha in 1991, I said, 'Come on, we have a job for you.'"

What made the business so attractive to Tim? "We did not have any family in San Antonio, so I would call home just to see what is going on and would often call work to talk with my brothers," Tim says. "By doing that for a while, I knew I wanted to get into this business."

And now a third generation of the Schrack family has entered the business: Paul and Mary's son Paul Parr. The younger Parr goes by Pauly around the office. "Secretly, I was glad he did join the business," says Pauly's proud grandfather with a smile. "I did not know if he would stick around because he's a smart young man. I think he likes the people part of it. He is helping my son Tom with the bookkeeping and is our technology guru in the Omaha office."



*The softball field at St. Bernadette, the Schracks' parish in Omaha, is named Dave and Don Schrack field in honor of Tom Sr.'s two late sons. Son-in-law Paul Parr and Pauly Parr, Tom Schrack Sr.'s grandson, tend to the field by cutting the grass when needed.*

Although he may go by a different last name it seems as if Pauly has the same legendary Schrack family work ethic. Earlier this spring on a Saturday afternoon he received a call that one of the dealership's computers was down and Mike Bainum was trying to get some billing done in the Kansas City office. So Pauly dropped everything and headed to the office to get things back up and running. "He is a very important part of the team now," Schrack says.

One of the unfortunate life lessons the Schrack family has had to learn together is how to deal with the loss of loved ones. A few years ago, David Schrack, one of Tom and Mary's four sons, passed away while playing hockey with some friends. David was a key part of the business, handling used equipment for the dealership. A picture of David in a chef's coat and hat — he loved to cook, according to his father — graces the dealership's new test kitchen. "David was a very important part of the business and we miss him," Schrack says. "I cleaned out his office but won't let anyone use it."

A few years earlier, Don Schrack, another of the family's four sons, passed away in an accident. Although not a part of the Hockenbergs team, he owned a landscaping company, Don is warmly remembered by his parents and siblings. In fact, St. Bernadette's, the Schrack's parish in Omaha since its inception in 1963, now has a softball field named for the two late brothers. Pauly and his father Paul are part of the grounds crew, cutting the grass when needed.

"My dad died when he was 20 and I learned that one person may be gone but life still goes on," Schrack says. "It's brutal but it happens. You never forget. When Don passed away, we had a new pastor at the parish and he walked us through it. Our faith helps us and thank God we have the family we do. Time heals."

Adds Greene, "They have had a rough time in their lives and it is how they have handled themselves after that which tells you what kind of people they are: well-grounded with a strong moral foundation."

Despite a few significant setbacks the blending of family and business appears to be a potent combination for the Schracks. "Overall, I think it's been a good combination," Schrack says of working with his children.

Over the years, others have noticed Schrack slowly starting to pull back a little, letting the next generation take more of a leadership role. "I don't know when the switch came but at some point — it was always him driving the business forward — but now he enjoys taking a back seat and watching the business grow," Mary Parr says. "He's comfortable with that and I think he enjoys watching everyone grow personally and professionally. My brothers and I — and my husband — we are all proud of what we are given and we are motivated to do more. We have a lot of good people behind us and dad's made sure of that."

And as one might expect from Schrack, the gradual transition has been handled with extreme care. "He has been very respectable to Tom Jr. and knows when to back off," Paul Parr says. "I don't think he will ever not be in the business. He will continue to give his advice when needed and let Tom Jr. run the company."

Naturally, Schrack is quite proud of how everyone has stepped up over the years. "They are all doing well and they handle themselves well," he says. "Sometimes I don't like what's going on but then I bite my tongue and generally things turn out fine. They have tempered me, somewhat. I am very vocal when I think of what a guy has done to a customer or what a customer has done to us."

Schrack has an equal affinity for all of the Hockenbergs employees. "Family is a really big piece of his success but he also sees his employees as family and Tom looks for them to grow and empowers them," Rimsza adds. "Tom is bright and smart but having that element of care and trust is what makes him really powerful."

And that's why at Hockenbergs it is important for Schrack that the sense of family is something that's shared with every employee. "As far as a person goes everybody in the company is on the same level, regardless of their position," says Tom Jr. "I don't think he has ever shied away from that. Their jobs may be different but no person was more important than another."

In addition, Schrack's appreciation extends beyond what an individual does for the company. "He appreciates everyone's families and respects the fact that they may need to be somewhere or do something in support of the family," says Mary Parr. "I think everyone knows and respects that. As a result it is a very comfortable place to be and dad has made it that way."

To help facilitate this, Schrack makes sure the company hosts regular holiday parties and picnics to show appreciation to the employees and give them a chance to interact outside of the workplace. "Everyone knows how important family is to him and, for Tom, business and family is the same," Paul Parr says.

And in the Omaha office, Schrack still hands out the paychecks to the employees every Friday. "It is important for him to have a relationship with everyone that works with us and he likes to thank them for a good job," Mary Parr says. "He considers himself as having a very intimate working relationship with all of our employees at all of our locations. He still treats it like a small business and remains hands on and involved in all aspects of the business. It is not big business, cold business. It is a very warm family business."

In addition to growing their responsibilities within the business, the children now own the majority of it thanks to a well-thought out succession plan that Schrack and Mary

implemented. "They have taken hold and now they run the company. They know what they are doing and they have a very good work ethic," Schrack says. Jokingly, he adds, "They probably want me out of the business, truth be known."

All kidding aside, it seems highly unlikely that Schrack will leave the business any time soon and that's just fine with everyone. "It keeps him healthy and vibrant. I used to think that he needs to back off but this is what he thrives on," Tom Jr. says. "And his experience is great. Who would not want to have 50 years of experience in the office?"

Just as important, Schrack still seems to derive considerable pleasure from working the business. "I enjoy the business too much to fully retire," he says. "I like the people and the customers that come in. I don't know as many of them anymore but I still enjoy them."

While he may have reduced his hours somewhat, one thing about Schrack will never change, his approach to doing business. "Just be honest in your everyday dealings and you will come out ahead in the long run," he says. "The majority of the people out there respect honesty and integrity."

Indeed, they do.

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