



Garman Builders, Bronze Award



Maracay Homes, Silver Award

GREAT EXPECTATIONS

Raising the bar means that top standards must permeate every aspect of work culture. Just ask the winners of this year's National Housing Quality Awards

By Mike Beirne, Senior Editor

A common challenge for home builders is being so busy in the business—either moving product from scheduling to close during a good market, or being completely focused on surviving during a downturn—that they can't step back, get some perspective, and work on the business.

Looking at the big picture seems like a luxury when managers are consumed with juggling daily tasks, projects, and goals. Most builders would agree that self-assessing their company would be productive, but carving out the time and resources to do so is difficult.

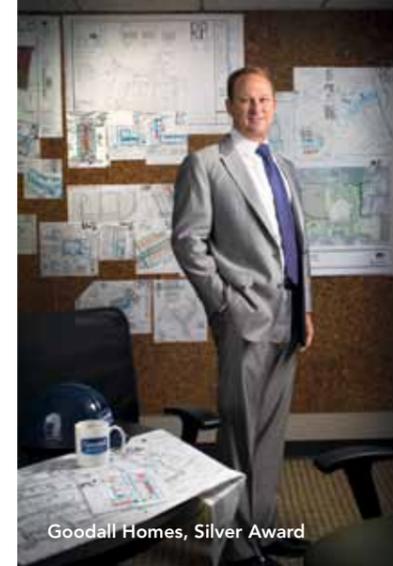
Shawn Hanks, senior construction manager for Maracay Homes, in Scottsdale, Ariz., had been prodded for years by Charlie Scott to apply for the National Housing Quality (NHQ) Awards. Scott is an NHQ Awards judge and principal of customer satisfaction consultancy Woodland, O'Brien & Scott. Hanks pushed back because, at the time, undertaking a self-assessment for the awards application seemed like an "extracurricular activity" given the TRI Pointe Group division's staffing. But this year, completing the application finally seemed appropriate.

Modeled after the Malcolm Baldrige National Quality Award, the NHQ Awards are the home building industry's top

recognition for achievements in total quality management. Builders apply by completing a questionnaire about the following areas of their business plan: leadership, strategic planning, process management, customer satisfaction, human resources, construction quality, trade relationships, and business results. A panel of NHQ Award winners and quality management experts reviews the applications and selects finalists for site visits by a team of examiners. The examiners validate the information submitted, survey customers, interview employees and trade partners, and ultimately designate gold, silver, bronze, or honorable mention status to the winners.

"There were so many validations once we put our application together," says Hanks, of Maracay, which won a Silver award. "To get it all on a piece of paper as a sort of stream of consciousness was really powerful for us. Putting the application together even identified refinements that we needed to make in particular areas."

David Simon, president of operations for Gold winner Veridian Homes, in Madison, Wis., says, "A lot of people spend their time in the business, get bogged down, and sometimes they don't step back and look at the big picture. But by doing so, you discover things where you can just get better."



Goodall Homes, Silver Award



Tim O'Brien Homes, Silver Award



Veridian Homes, Gold Award

JUST THE FACTS



Widespread use of data promotes truth instead of myth, plus better evaluation of cost control, customer satisfaction, and even quality of life at work

Among the many strengths NHQ Awards judges noted about Gold winner Veridian Homes is that the builder's processes are so well defined and measured that those details perpetuate its culture of systemic improvement.

The company's pursuit of continuous improvement has pushed the delivery of customer satisfaction beyond merely fixing a defect discovered during a home inspection. Veridian employees delve into whether the punch-list item was a one-time mistake or a breakdown in the system.

"We try to move a lot of our energy into prevention, so we can do a lot less inspection," says David Simon, president of operations for the Madison, Wis.-based builder. "You can have a team of inspectors follow your trades and your super, but that's a lot of money to spend on inspections. Over the years, we've trained our people to write down how we do things the Veridian way, share our scopes of work with the trades, develop checklists, and collect the data, so you can have a reasonable understanding of what has to be done. That's allowing us to reduce our inspection time and significantly lower what we have to correct in the field."

The Gold is Veridian's second top NHQ Award—the builder won in 2006 and took Silver in 2005. Veridian was formed from the 2003 merger of two long-time Madison builders, Don Simon Homes—a Silver and Gold winner during 2001 and 2002, respectively—and Midland Builders. The combination

produced the largest builder in the state, with plans to close 600 homes going into 2006.

But the Great Recession forced the company to lay off many employees. The staff, which had boasted more than 100 full-timers during the merger, dwindled to fewer than three dozen people by 2012. As if the downturn didn't inflict enough pain, Veridian's bank filed a \$16.4 million foreclosure lawsuit that same year and threatened to auction the builder's undeveloped land to pay off mortgage debt. The lender relented several months later and dismissed the lawsuit.

Simon has been reengineering his companies as far back as the 1990s using a form of open book management to share performance indicators with employees for setting goals and tracking execution. So the recent downturn offered an opportunity to work on the business and pursue continuous improvement. For example, Veridian gave employees even more tools to think like owners by educating them about how their activities can affect the income statement and the balance sheet.

Collaborating with subcontractors is another reengineering activity. By 2007, Veridian funded quality-management certification training for 80 of its trade partners, and through the recession until today, the builder has maintained quarterly and semi-annual trade partner council gatherings to discuss hurdles in the field and find solutions.

In 2008, Veridian formed a What's Up team; a small group of employees who meet weekly to discuss and address customer concerns. The team often can unearth and start resolving a customer experience problem before the issue surfaces in a monthly customer satisfaction survey.

"Any time you're getting survey information, that is history," Simon says. "We want to have that history as current as possible. So if there is something that our customer is experiencing that we need to be dealing with, we call it 'what's up.' What's up with our consumer? What's up with our process? We have a group that can quickly listen to the voice of the customer, so if we're getting some feedback that a customer had a bump in the experience, rather than wait for that bump to follow us to closing or post warranty, we do everything in the organization right now to take care of it."

That team is one of several customer satisfaction initiatives that prompted an NHQ judge to note that Veridian is "passionate, focused, and enthusiastic about a strong buyer experience and a well-built product."

Another initiative is restructuring the responsibilities of its construction managers or superintendents—dubbed "personal builders" at Veridian. Previously, they managed a project for the homeowners and ran the job until closing when the clients were handed off to the customer-care team to handle warranty issues. The problem was that the customer-care team didn't have the months of relationship and trust that the personal builder had developed with the clients since the contract was signed. Plus, no one was as knowledgeable about the house or ways to fix it as was the personal builder.

So Veridian eliminated the hand-off, created a warranty customer service help desk to take care of fixes that occur through the 12-month warranty period, and put the personal builder in charge of managing the client's home for one year after closing. Personal builders visit the clients 30 to 45 days after closing to glean whether there are any problems and to teach them about homeowner maintenance responsibilities. They then visit again in 12 months to wrap up the warranty period and provide more education. Veridian reduced the number of projects that personal builders manage so they can take on the warranty duties. The switch cut the cost of post-closing fixes that couldn't be directly attributed to a subcontractor by two thirds and raised customer satisfaction scores.

"The homes are being delivered with fewer defects at closing because the builder knows he has to manage this relationship post-closing," Simon says. "It's been a great success for us both financially and through the relationship with the customer."

Simon has been steadily hiring since 2013 and currently employs 59 full-time and two part-time employees. After closing 249 homes on sales of \$74 million last year, the company is projecting 340 closings for 2015 and \$100 million in sales. The gain can be attributed to many factors, such as reorienting the business to focus on profitability and customer loyalty through product and market diversification, and more integrated planning with such practices as even-flow construction scheduling



2016 GOLD AWARD WINNER

VERIDIAN HOMES

MADISON, WIS.

FOUNDED: 2003

MARKETS: Dane and Jefferson Counties and Milwaukee

2014 REVENUE: \$74 million

2014 CLOSINGS: 249

QUALITY BEST PRACTICES:

- Leaders plan activities to keep everyone aligned toward a common purpose
- Trade contractors participate in company problem solving and improving processes
- Employees are aware of how individual contributions drive the company's success

that's so detailed, the builder can give customers a hard move-in date at contract signing. A judge noted that Veridian's scheduling system from BuilderMT is one of its best practices.

Veridian is very data driven, collecting statistics for actual vs. estimated costs, warranty costs per home, third-party customer satisfaction scores—it even polls employees about their quality of life. But Simon says his team isn't paralyzed by analysis because it actually does something with the information. What it doesn't do is manage by gut reaction. Simon's frequent adage, one that an employee actually repeated to an NHQ judge, is, "In the absence of data, you have myth."

"When something goes wrong, I look at my system," Simon says. "We don't blame the employee. We blame the system or the lack thereof. If you don't have a system, how can you say [your employees] don't know what they're doing? It goes back to a lack of systems or a lack of education. If you don't document, then you really can't have a process of improvement. So the first thing you have to do to have a continuous improvement process is you have to write things down."

After surviving the worst slump to hit home builders, Simon's next challenge will be steering Veridian through a cycle where skilled labor is tight and finding skilled managers is difficult.

"We've always been a systems- and process-oriented builder," he says. "We're big on documenting process and action plans and how we run our business, but now I have to figure out how to do more with less. It's hard to find really great people to run our business, so we have to make sure our systems and processes are in the highest and best order possible. We went about this NHQ Awards application as a reason to get our playbook up to Super Bowl level."



2016 SILVER AWARD WINNER



MARACAY HOMES

SCOTTSDALE, ARIZ.

FOUNDED: 1991

MARKETS: Phoenix and Tucson, Ariz.

2014 REVENUE: \$150.7 million

2014 CLOSINGS: 396

QUALITY BEST PRACTICES:

- Quality assurance and safety methods are well deployed
- Good cross-functional involvement of employees to improve products and processes
- Salespeople have a place at the table when developing strategic plans

TEAM PLAYERS

Daily standup meetings and brief huddles promote a culture of communication

Every morning at 8:28, Maracay Homes' senior managers assemble in the War Room, a conference room for a standup meeting, no sitting allowed. Even managers in the field call in to participate in the 20-minute session to talk about priorities and activities for the day and about "stucks" (problems that need to be solved) and "delights" (good news about work or personal life).

Those managers then meet with their own teams for a huddle, which follows the same short, focused format. The daily gatherings are in addition to monthly all-company meetings, which are used to review key performance indicators for the business, and quarterly gatherings that provide an update on how the company is doing, focus on goals for the next 90 days, and recognize employees' achievements over two hours of breakfast and socializing.

"When people first hear about our huddles, they say, 'Gosh, that's a whole bunch of mind-numbing meetings.' But in reality, by creating this culture of communication, we actually decrease the need to call meetings that are usually called when something is going off the rails," says Andy Warren, president of the Scottsdale, Ariz.-based builder, a member of the TRI Pointe Group.

On several occasions when Warren has attended every single company huddle within a couple of hours, he's personally communicated with each of the builder's 92 employees. The internal communication practice is a quick way to distribute information companywide and to gather employee feedback without having to go through the disruption of scheduling a big meeting in a central location.

The book *Mastering the Rockefeller Habits* inspired the practice. Its author, Verne Harnish, wrote that entrepreneurs of

hyper-growth companies clearly communicate their vision and strategy so that each person knows what his or her role is. These companies have a "rhythm" or pattern of organized daily, weekly, monthly, quarterly, and annual meetings that are used to align priorities and drive accountability. Warren calls it Maracay's cadence of meetings, where everyone is focused on what's happening and what they must do to affect the desired result.

"One of our core competencies is around our people, and one of the things that we point to is frequent structured internal communication," Warren says. "The idea is that we don't want anyone at Maracay Homes to ever say, 'No one ever tells me what's going on around here,' which is a common lament for people who work at companies where they feel like they're in the dark."

The builder's employees—many of whom have come to the company via referrals from other Maracay staff—are hired after two to three months of multiple one-on-one interviews, a panel interview, background checks, and, finally, a sit-down with Warren. The arduous process ensures that the builder finds candidates who are self-starters with customer service skills. Maracay's purpose, as mentioned in its one-page strategic plan, is to develop "a humble team that kicks ass."

"We want our team to feel confident that they are 'A' players surrounded by other 'A' players who want to be in a culture where excellence is expected and they can thrive," Warren says. "But we aren't looking for super arrogant people either. If someone is so full of themselves ... then they're not going to have that teachable spirit that will drive improvement. So there is this aspect of humility that we look for in the team, but we want people who are clearly confident to execute."



2016 SILVER AWARD WINNER



GOODALL HOMES

GALLATIN, TENN.

FOUNDED: 1983

MARKETS: Nashville, Tenn.

2014 REVENUE: \$102.4 million

2014 CLOSINGS: 362

QUALITY BEST PRACTICES:

- Senior management demonstrates a desire and personal commitment to quality-related activities
- Its open book management process is empowering to all stakeholders
- Enthusiasm for a strong buyer experience and a well-built product sets a foundation for future improvement in all categories

LISTS SERVE

Streamlining to-do lists improves efficiencies and makes for happy homeowners

Why pay a consultant to improve your business when you can do it yourself? Because most builders are so busy that they won't work on their internal strategy and processes unless they're forced to do so, says Keith Porterfield, chief operating officer of Goodall Homes, in Gallatin, Tenn.

Even a company like Goodall, which for years has regularly scrutinized its operations and has even invited critiques from outsiders, such as its Builder 20 comrades, can still find a surprise upon going through the NHQ Awards application process. The private builder was more than ready to take on the application and site visit, having long been a practitioner of quality management exercises such as open book management to align employee goals with company strategy. The November before starting the NHQ application, senior managers completed their annual retreat where they gather off site to establish the company's "rocks" or long-term goals for the next year. They returned with a load of rocks. But then something changed.

"This problem had been flashing its head at us," Porterfield says, "but until we stepped back and into the NHQ process, it just didn't hit us hard enough to pursue it."

The problem involved having two separate punch lists. For years, Goodall had delivered its homes by sending its quality control department to inspect the house two weeks before closing. The inspectors create a list of defects, hand the list to the project manager and the trades, who then have a week to complete the fixes. A week before close, the customers visit for their new-home orientation, and another list of fixes is generated. The painters and drywallers would then make a second trip to the house to take care of those.

But what if trades made just one trip? The potential for saving time and money, particularly when availability of trades is tight, was alluring. "We figured that if we intend to build 450 homes this year, that's 450 extra trips by the painters and drywallers," Porterfield says. "That's 450 extra lists our project manager is running. This is a pretty big rock, but if we drop all the other rocks that we haven't started on yet and focus all of our energy on this one, we figured we could accomplish this by October 1."

The trades still get a to-do list two weeks before close, but now they have 10 days to finish. All of the defects are taken care of and the homeowners come at closing for the orientation visit but no list is generated. A lot of steps, process development, and coordination with subcontractors had to occur to cut the list in half and still produce a house with no defects that would make the homeowner happy.

"The hardest thing about improvement is that you have to look at yourself objectively," Porterfield says. "When somebody points out something you think you can do better, there are two basic responses: You can get defensive, or you can listen and be objective about it. If you don't have that [listening] culture, then it really is an uphill battle."



2016 SILVER AWARD WINNER



TIM O'BRIEN HOMES

PEWAUKEE, WIS.

FOUNDED: 2007

MARKETS: Milwaukee and Madison, Wis.

2014 REVENUE: \$68 million

2014 CLOSINGS: 162

QUALITY BEST PRACTICES:

- Excellent use of feedback from stakeholders to continually improve leadership
- Good understanding of what elements drive customer satisfaction
- Strong connection between workforce development goals and the company's long-range vision

TALL ORDER

Holding trades to an exacting benchmark helps attract the best in the business

With labor availability being tight, subcontractors can pick their builders. Trades can even avoid those builders that throw a lot of prerequisites at them, which some trades just consider pesky hoops to jump through before their crew is hired, and instead work for a less-demanding outfit.

The Milwaukee division of Tim O'Brien Homes requires that any window installer, roofer, sider, or rough carpenter working on the building envelope must complete Tyvek-certified installer training from housewrap manufacturer DuPont. That means passing the written test, initial site inspections, and random inspections thereafter. Therma-Tru training also is mandated for door installers, and all trade partners are expected to finish Tim O'Brien Homes-provided lessons for using its BuilderMT scheduling software. Then there are the jobsite rules, purchase order and payment procedures, and scope-of-work expectations.

So why would trades submit to those demands? Because Tim O'Brien Homes treats them like an extension of the company. Of its 60 current trade partners, 32 have been with O'Brien since the company opened its doors in 2007, and 16 have been working with the builder for at least four years.

And more contractors want to climb aboard. Recently, senior managers interviewed a roofing subcontractor referred by a siding trade partner. "They're already primed about our core values and our expectations before they get to us," says Craig North, vice president of construction.

Numerous team members were involved in that vetting process, including North, the production manager, and the vice president of purchasing and design. The interview's goal is not just to learn about the roofer's experience. It also seeks to capture that tradesman's values, while also sharing the builder's seven core values and its trade partner core values, which were collaboratively developed by Tim O'Brien Homes' trade council.

The council, consisting of six trade partners and three builder team members, was established in 2011 and meets quarterly to discuss ways to improve process, communication, and to lower the cost of doing business. The council also developed its own set of core values that Tim O'Brien Homes uses as a guide for evaluating and selecting subcontractors. Among the values: fostering a safe working environment, encouraging teamwork through respect, and nurturing a learning organization. Trade partners participate in biweekly "Trade Traction" meetings, which are forums for discussing construction issues and sharing data about sales and customer satisfaction. Trade partners can suggest topics for the traction meetings ahead of time.

"Essentially, [the council] is saying that these are the kind of partners we want to work with in regard to safety and education practices," says Tim O'Brien, CEO of the Pewaukee, Wis.-based company, which also has a division in Madison. "They know they have a voice here and that they can contribute."



2016 BRONZE AWARD WINNER

GARMAN BUILDERS

EPHRATA, PA.

FOUNDED: 1972

MARKETS: Lancaster and Harrisburg, Pa.

2014 REVENUE: \$27.9 million

2014 CLOSINGS: 74

QUALITY BEST PRACTICES:

- Customer satisfaction results and financial performance are very strong
- Excellent reputation and brand in its market for construction quality and for employee, customer, and trade satisfaction
- Scopes of work clearly spell out quality standards

FAMILY CIRCLE

When builder brothers addressed their growing pains, their long-range vision got sharper

For several years, Shawn Garman attended the International Builders' Show and made a regular stop at the seminar where NHQ Award winners talked about their best practices and what they had gained by going through the award's application process.

"I found it intriguing that all these companies of different sizes had suffered and gone through the same growth pains but learned a tremendous amount," says the vice president and CFO of Garman Builders, in Ephrata, Pa.

Every year Garman picked up the 18-page application, yet despite good intentions, he and fellow owners, brothers Mike, president, and Jason, vice president of construction, were just too busy or not ready to take on the rigorous self-assessment.

The brothers grew up in home building. Shawn recalls being as young as 3 years old when his dad, Ivan, sat the boys on a countertop, using their weight to hold down the surface while he fastened it to the drawer tops. They worked full time in their father's business after graduating from high school in the '80s and '90s, and know and have done all the tasks that their subcontractors do. By 2006, they switched from house-by-house construction to even-flow scheduling. Sales and staff grew, but for years Garman Builders' written goals focused on sales yet didn't address other aspects of the company. The brothers recognized that they needed a comprehensive, measurable program.

So this past year they hired a local consultant who walked them through exercises for developing a strategic plan—a criterion that NHQ Awards judges use to evaluate how well

the drive for continuous improvement permeates an organization. Although they were builders by nature, the Garman brothers understood that their mindset had to change.

"We used to call ourselves builders, but as complicated as home building has gotten with regulations, codes, and finances, you now truly have to be a business professional. You can build a house. You can build a process. They're not that different. It's actually a lot of fun going through this application and seeing how far we've come," Shawn says.

Mike Garman accepted that big-picture ideas are key, but he didn't realize the importance of the company's value, vision, and mission statements. "I think it just brought to the forefront that as we get larger and maybe have less contact with customers and subcontractors, that the core staff needs to be aligned with our values, vision, and mission," he says. "I don't know that I quite picked up on how important that was until we went through this process."

The initial goal of strategic planning was to align the owners so that they row in the same direction. Going forward, the brothers intend to develop repeatable processes for sharing more planning responsibilities and soliciting feedback from employees and trades.

"Sure, our background is in home building," Jason says. "We each have a high school education and went beyond that to a business degree, so we kind of self-developed. But when I look at what we're doing today, it's all about developing processes and procedures and working in everything and asking, 'Do I have this spelled out clearly enough so that if I'm not here tomorrow, somebody knows the answer?' If we can do that in everything we do, then I don't have to come in tomorrow," he quips.



LEADERSHIP MISSION

Tom Gillespie has long believed that a healthy bottom line is the by-product of excellence. Scores of home builders have benefited from his approach

By Amy Albert, Editor-in-Chief

The pivotal moment in Tom Gillespie's career was a stunner. Then a project superintendent for The Kennedy Group, he was asked to head a new company, a prospect as daunting as it was exciting. It was 1993, and Kennedy was about to divide itself into three independent entities. Gillespie would be president of Kennedy Community Development (KCD), building homes in the northwestern suburbs of Chicago. He'd pick his own team, an event he likens to the NFL draft. His plan was radical back then: a team approach to building homes. "If I failed, that would be it for my career in home building," he recalls.

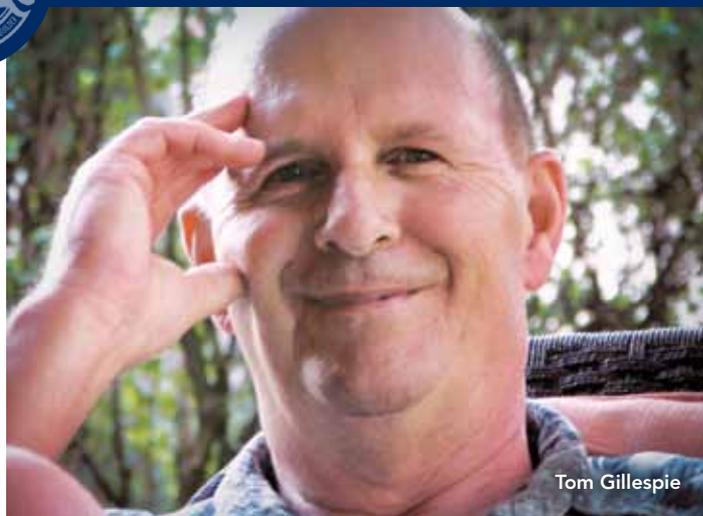
Gillespie believes the offer was based on a field decision he made that exceeded his authority. "I approved a \$5,000 retaining wall when my spending limit was \$500," he says. "No one was making decisions. I made it my mission to fix it for our customer."

"Mission" is a key word for Gillespie because the achievement he's proudest of is being a Marine. "My relatives instilled values in me, but the Marines burned them into my soul," he says, listing courage, honor, commitment, integrity, and respect as easily as most of us provide our street address.

Gillespie saw combat in Vietnam, returning home uninjured. He began work as a contractor specializing in concrete, framing, and siding. His father-in-law, a Navy Seabee and master craftsman, got him into it. "There was nothing he couldn't make or build," Gillespie says.

Upon becoming president of KCD, Gillespie mapped out the entire building process. "It was 20 feet of paper," he recalls. He called everyone into the conference room. "What's that?" asked a team member. "That," Gillespie replied, "is your life." The intensive examination scrubbed 70,000 non-value-added steps. "All of a sudden, our lives got a lot better," Gillespie says. "We empowered people to make decisions."

In 1997, KCD was awarded an NHQ Gold award in a first-ever unanimous decision. Scott Sedam, a home building consultant



Tom Gillespie

and contributing editor for *Professional Builder*, was an examiner that year. "We were captivated by Tom's enthusiasm, depth of knowledge, and willingness to pursue improvement no matter what direction it took him," Sedam says.

In 1999 Kennedy merged three companies into one and Gillespie became a managing partner. He developed an even-flow production system, increasing starts and closings to three per day. He created a survey that measured and bridged the gap between leaders, employees, and customers, boosting customer satisfaction to 95 percent, building Kennedy into an NHQ Gold contender once again. They missed on the second try, a story Gillespie tells with unflinching candor. "We were solid gold but lost it in the boardroom," he says, describing hard lessons about leadership not being in sync. Kennedy was going gangbusters in the mid 2000s, but after triple bypass surgery in 2006, Gillespie's priorities changed. "I went in one person and came out another," he says. "What was important to me then isn't now."

Gillespie became an on-site examiner for NHQ in 1998 and has remained active ever since. "Tom has worked in the interest of excellence throughout his entire career," says building consultant Charlie Scott. "Even in so-called retirement, he has helped countless home building companies focus on quality."

Gillespie offers wisdom for builders of all stripes: "Look at leading indicators sooner and react more quickly. Make training and education a priority to foster the next generation of leaders and front-line people. Build a strong trade base because if the market comes back too quickly, we're going to see a replay of the 1970s, when we were building junk." And finally, "The bottom line is a by-product of excellence and everything an organization does."

Asked about induction into the NHQ Hall of Fame, Gillespie is visibly moved. "The award isn't about me, it's about the people along the way, the people who allowed me to lead them, and the trades who believed in us. Without them, I'm nothing." **PB**