

MIND THE GAPS

Managing the white space between departments is crucial for efficiency, cohesion, and a sustainable business

By Tony L. Callahan

The goal of a home builder is to build high-quality homes at a profit margin that enables them to reinvest in the land and other resources necessary to sustain and grow their business. This involves no less than the following:

- **Finance** must obtain low-cost capital to invest in land and in homes under construction.
- **Land Acquisition** must identify land in locations in which prospective buyers want to live, and negotiate and buy it at a price that enables the builder to be profitable.
- **Architecture** must design homes that meet the target customer's expectations, with constructability and cost in mind to assure the company can be profitable.
- **Purchasing** must source materials and installation services from suppliers and trades capable of performing to acceptable quality levels while meeting schedules, all within cost constraints that enable profitability.
- **Construction** must oversee the construction of homes to ensure that customer expectations are met.
- **Marketing** must promote the builder and its homes.
- **Sales** must set specification levels based on prospective customer expectations and then sell homes at a price that enables the builder to be profitable.
- **Customer Service** must manage the new-homebuyer experience through the warranty period to assure the builder's obligations and the customer's expectations are met sufficiently to maintain the builder's reputation and a solid customer referral base.

Keeping all the functional areas of a home builder on task and in sync is not easy. To do this consistently, a company must have a well-thought-out organizational structure, interdepartmental linkages, solid processes, and constant communication.

STRUCTURE

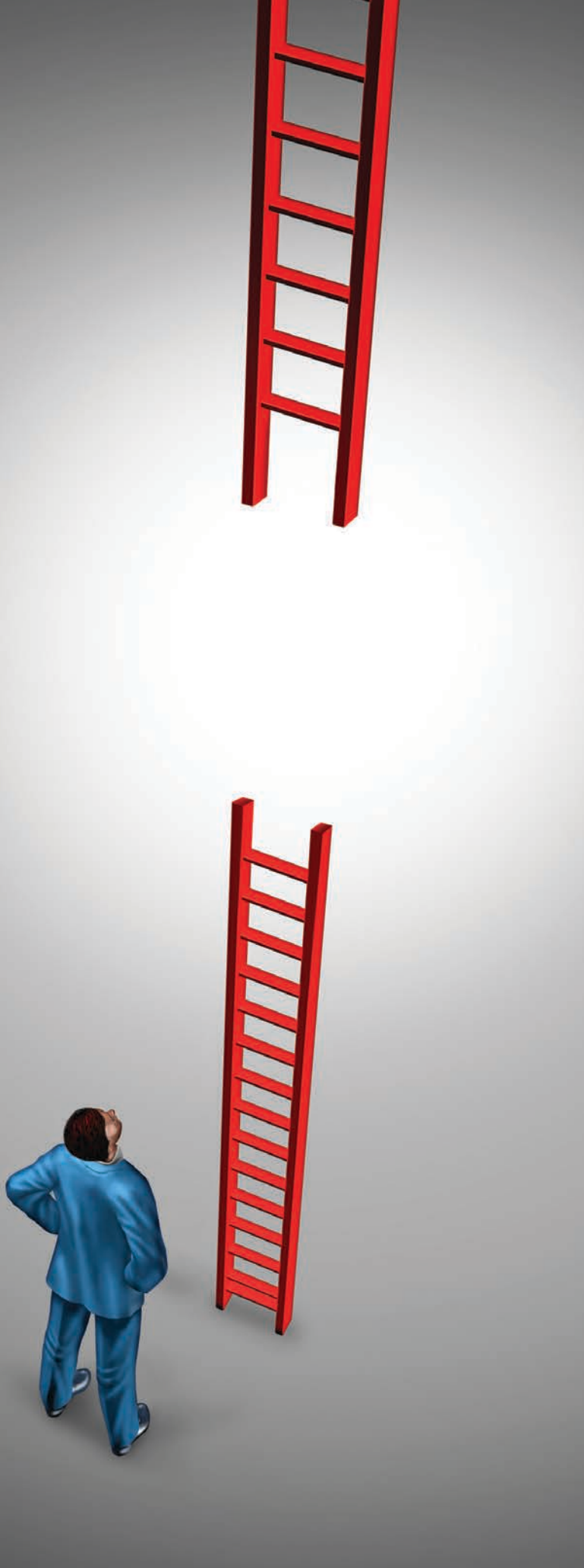
In an ever-changing marketplace, organizations and their structures must be agile. To achieve that agility:

- **Make it lean and cohesive.** Flat organizational structures are wisest; you don't need layer upon layer of management complicating things. Hybrid reporting with dotted-line responsibilities is also a bad idea. Team members don't need or want multiple supervisors.
- **Go for level structure.** Flat organizations afford more interaction with those closest to the process. Each quarter, take managers out of the day-to-day. Hold retreats that help build cohesive teams. Hire an outside facilitator if needed. Involve managers in setting annual goals that are consistent with your organization's three- and five-year business plans.
- **Start with long-term objectives.** Rather than having just the company's functional leaders present their strategy and goals, have the team collaborate on what each functional area must do to achieve enterprise-wide goals. This way, each leader will start the year with a full understanding of what his/her peers' goals are, why those goals are important, and how they fit into company objectives. Managers' awareness of other departments' goals are critical to success, and it puts them in a great position to lend support and cooperation while they lead.

PROCESSES

Managing the white space between departments is one of the most difficult management tasks. Functional areas must flow like an assembly line, with each department knowing how it fits into the process. Like a relay team, each runner needs to know when and where to grab the baton and when and where to hand it off to the next runner.

- **Begin by process mapping** each departmental function. Have cross-functional teams work to improve the handoffs between the functional areas. These process-improvement teams can also work on enterprise-wide initiatives that require solutions from multiple departments. Rotate employees on these cross-functional teams so that everyone serves on one within any two-year period. Make cross-training a regular part of employee development. Start new employees off right by having them spend a day in each of the different



functional areas. Consider cross-department job sharing and job rotation to develop well-rounded employees.

- **Cross-link departmental goals.** Instead of just measuring construction on quality and cycle time, include cost as a metric. Rather than just measuring Purchasing on cost, include quality and cycle time. Consider adding warranty expense to Architecture, or option frequency (option sales as a percentage of the total option library) to Sales' goals. Options that don't sell consume resources and waste everyone's time.

- **Measure each functional area** on the actual profit to proforma profit, and on each area's ability to perform its part of any new product development or new community launch. All too often departments that are early in the process miss their due dates and the ones near the end are forced to cut their cycle time to meet the organizational deadline. These types of goals require departments to work together to achieve overall organizational objectives. Shared metrics encourage interdepartmental cooperation.

- **Ensure constant communication,** even if it means reorganizing your office. Whenever practical, functional areas should be near one another. Provide collaboration areas, such as lunch rooms, that are inviting places for employees to break bread with one another. Some companies provide lunch for their employees and encourage them to eat together. Others have company or division meetings once a month or once per quarter. These meetings are a great opportunity for each functional area to provide updates on their progress toward company goals. This helps break down the silo mentality where each department only focuses on its part of the process.

- **Have department leaders shadow other leaders,** especially the department that comes before them and the one that follows them in the home building process. Involve department leaders in regular cross-functional team building events so they can get to know one another. Lack of communication often results in a lack of empathy for another department's challenges. Identify opportunities to reward employees who go above and beyond their departmental duties to help other departments. Catch them doing something right and reward them for it. Good behavior that is recognized is more likely to be repeated.

To get the best out of the structure of your organization, prioritize managing the white space between functional departments. A well-conceived organizational structure, solid processes, interdepartmental linkages, and constant communication go a long way to achieving the synchronization needed to build great homes that are cost-effective, meet buyer expectations, and enable a business to sustain itself. **PB**

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