

Pre-Start: The Bridge Between Sales and Construction

By Tom Bradbury and Doug Coons

Executive Summary

About the Authors:

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Everyone has heard the phrase ‘Time is Money.’ For home builders this is more than a simple cliché but a statement of reality. In most instances, the settlement of the purchase of a home (the closing) occurs many months after the sale occurs.

Shortening the time between signing of a sales agreement and depositing the proceeds from a closing has always been a focus for home builders. Getting to closing quicker means spending less on money borrowed and realizing profit sooner. Most efforts at cycle time reduction have focused on the construction schedule – more efficient scheduling, trade management, improving delivery times – ensuring something is happening every day. There has been little focus on what occurs before construction begins.

In most companies, a sale triggers a series of events involving many different people. Each of these people need prompt information and clear communication. A Pre-Start process that fails to provide clear communication or have a consistent approach will result in problems, delay the commencement of construction, and result in potential errors, before, during, or after construction.

The purpose of this paper is to ask the questions – “Is my Pre-Start process clear? Is my Pre-Start process as effective as it can be? Answering ‘No’ to either of these questions suggests there is an opportunity to make improvements – reducing potential errors and improving overall cycle time. What is your action? Improve your business – you can begin today.

Design and document a thorough Pre-Start process that encompasses all the activities required to begin construction of a new home in the quickest time possible while minimizing potential for error. A well designed Pre-Start process pays off by providing the following:

- You will have a clear, repeatable roadmap for your employees which can be used for accountability as well as training

Most effort to reduce production times has focused solely on the construction of the home.

Failure to begin with clear instructions results in errors that cause delays throughout construction.



- You will have the ability to clearly communicate and set expectations with everyone involved with the process, particularly customers
- You can increase your capacity by focusing on problems that arise instead of the entire process for every home under construction
- You will have a baseline to measure then improve upon as you execute – enabling a culture of continuous improvement

Design YOUR Process: What, How and Why

The Pre-Start process is the bridge between sales and construction. Everything that has been ‘agreed’ to by sales must “cross over” to construction in order for a home to be built correctly. Failure to communicate, or late communication, will result in delays, possibly costly errors.

For some builders, this bridge may be short and very simple; for others, this bridge may be much more complex. Regardless, if the process is documented then it can be clearly executed every time – no forgotten steps, no late information, no excuses!

Pre-Start is the communication ‘bridge’ between sales and construction.

Build your process bridge with high walls (include all the pertinent details) so that everyone crossing the bridge can only focus ahead – moving forward. Building your bridge with low walls (not enough detail, no clear responsibilities, no timeframes) will result in whoever is crossing the bridge to spend time looking around and over the edge of the bridge instead of moving forward. Hey! We’ve all done it! Having no documented process is like driving on a bridge with no walls – it takes more energy and effort to get to where you are going - because more focus is spent on not driving into the water instead of getting across the bridge (moving forward with your tasks).

Determine your goals and what you want to accomplish before you begin.

Before you begin documenting your Pre-Start process consider what you want to accomplish – what are your goals. The type of builder you are (wish to be) will factor heavily into what you want to achieve.

The What

All processes should have a clear beginning and end. Pre-Start typically begins with a signed and approved contract and ends with a construction start (clear lot; foundation, for example). Depending on the type of builder, Pre-Start may have any or all of the following components:

- 1) Loan application and preliminary loan approval
- 2) Design center appointments
- 3) Preconstruction meeting
- 4) Job Take-off



- 5) Budget preparation
- 6) Permitting
- 7) Purchase Order Preparation
- 8) Starts Package

Straight forward? All you need to consider is what information needs to occur in each of these areas once a contract is approved in order for construction to begin.

Inventory homes should be started using the same process as a home sold to a customer.

One often asked question is ‘what about an inventory start?’ An inventory start – an unsold start, sometimes referred to as a spec start - should follow a Pre-Start process that is the same as a start for a home that a customer has purchased. While every step may not be the same, starting an inventory home following the same process as a sold home will reduce confusion, minimize delays, and reduce errors. Having associates ‘act’ the role of the customer can be a good exercise to gain feedback into the overall customer experience.

Don’t be concerned with actions that may begin earlier or complete later than the stated beginning and end point. This is almost always the case. The mere action of thinking about and attempting to document a process will provide opportunity to improve things – or at least create awareness regarding issues that may need to be addressed. The beginning and end are merely suggestions. Remember this is YOUR process!

Not intended to be comprehensive, here are some questions to ask and things to consider.

Your documented process enables you to begin improving your business.

Loan Application and Preliminary Loan Approval – Who are my target customers? Have they been through the new home process before or is it likely that it may be a new experience? What are my expectations with regards to approval before contract? What is an acceptable turn around time for a preliminary loan approval?

Design Center Appointments – The first major question is ‘do I want or need a design center, or offsite design location?’ The use of design centers and offsite design locations surged in recent years – partially, to provide more professional design assistance to customers, as well as freeing more of sales persons time from design work to enable them to focus on selling – Selling versus Design – definitely two different skill sets.

Once a decision is made regarding offsite design or not, then decisions can be made with regards to how appointments are scheduled, expectations set for length of appointments.

Preconstruction Meeting – A preconstruction meeting is more typical in the custom, or semi-, custom segments of the home buying markets. It involves several steps - preparation of custom plans; possibly pricing of atypical requests; and an appointment with customers to review both of the above. In addition, a site visit to introduce the construction



superintendent may occur.

Job Take-off – Preparing an itemization of the materials required to build a new home is often done after the contract is completed and prior to construction. Whether an entire take-off is completed, or a partially one is produced in order to enable to begin construction, depends on circumstances. It is generally accepted best practices to produce an entire job take-off prior to beginning construction.

Budget Preparation – Budget preparation is often very closely tied to job take-off completion. Job take-off completion produces the ‘what’ of building a home – budget prep produces the ‘who’ and ‘how much.’ This budget is utilized as both a performance measurement tool as well as a profitability reporting mechanism.

Permitting – Permitting varies widely, not so much by market segment, although it can have an impact, but by municipality. There is such a wide variety of permitting methods that it can often be dizzying to discuss simultaneously with different people from various regions of the country. Permitting usually involves stages of document preparation, submission, fee payment, and permit receipt.

Purchase Order Preparation – Producing purchase orders, no matter the size of the home building organization, is a best practice. It provides a communication and audit tool for the job take-offs and budgets prepared above. Things to consider are – do I know what trades will be performing work before I begin the job? What is the most effective method for distributing purchasing information?

Starts Package – Called by various names, most home builders have some form of ‘starts package.’ In its simplest form, a ‘starts package’ is communication to a construction superintendent that a job is about to begin. It can involve plans, permits, additional documents – delivered in person or electronically – with instructions on how a home should be built.

The How

Process design is a prerequisite for repeatability.

Step 1 – Design your Pre-Start processes for outstanding

performance. A process is an organized group of related activities that together create a result of value. Processes are meant to be repeated.

Focus on desired results not potential problems.

A process should be constructed focusing on desired outcomes first, not what may happen. Focusing on potential problems first will result in a convoluted process that will become unwieldy. Process created focusing on desired results first will often eliminate the very issues that are of concern.

Outstanding performance is a matter of design not luck.

Process design is a prerequisite for repeatability - without it the would-be process is likely to be performed differently each time. Outstanding performance is a matter of design rather than luck.

Build in the steps and tasks that ensure all the bases are covered – focus



on efficiency and effectiveness. For each of the process components above:

- ✓ Map out the workflow – identify each step/task, who is responsible; define the sequence; what needs to be completed before each step may begin; what needs to be accomplished to be considered complete; determine the performance standard including how long the task should take; determine the required forms; what information needs to be entered into information systems; how you interact and communicate; build in the appropriate internal controls – review and approvals and internal notifications; build in your policies, rules and standards of performance.
- ✓ Document the workflow – visually lay out the workflow in an easy-to-understand “picture” using software such as Microsoft VISIO™. (*see Attachment for an example*).
- ✓ Develop and “link” supporting documents to the workflow – Detailed Procedures (or even additional VISIO workflows), Policies, Standards, Forms, Checklists, Guidelines, Tips and Techniques, Spreadsheets, Information system procedures. The goal is to have all your process documentation laid out in a coordinated manner so that everyone can see the big picture and can drill down into the specific tasks.

Step 2 - Put all this documentation on-line – make it accessible 24/7.

This best practice accomplishes several objectives:

- ✓ Your process documentation will change and need to be continuously updated. Everyone will always have access to latest version of the documentation. Maintaining process documentation in hardcopy binders is not only ineffective; it can actually be detrimental.
- ✓ You can hold everyone accountable to your processes. No longer can anyone have the excuse of “I did not know”. All the required information is on-line for their reference.

Step 3 – Commit your organization to continuous improvement.

You now have a process environment to execute continuous improvement. You have a defined “baseline” – you can now identify and implement process improvements. To execute continuous improvement, you will need to design, document, and execute a process to implement changes:

- ✓ It is recommended that you designate a “process owner” for each process – a credible leader who can make change happen and someone with a vested interest in the overall

Continuous improvement is a commitment that begins with process as a baseline.



- improvement of the process
- ✓ Develop a method for associates to suggest and champion process improvements
- ✓ Develop the internal review and approval process
- ✓ Develop a method to update the process documentation and develop a way to notify all associates of the improvement.

Step 4 – Take the execution of your processes to the next level with Business Process Management (BPM) software. Powerful software now exists that allow companies to define a process, design it in a workflow, load the workflow and all associated business rules (e.g. “if this, do that” logic) into the software, define the role/person associated with each task, and then execute the process with the software. When executing, as tasks are completed, the software determines the next task(s) to initiate and place on an associate’s work queue. Email notifications/reminders/and alerts are automatically sent at the right times based on how you designed the workflow.

The end result is once the process is triggered, the software tool advances the process along based on the defined workflow and then allows for exception management when tasks are not completed as designed.

The Why

Outstanding Execution all starts with well-designed process.

The “why” is all about execution. Outstanding execution is the combination of well-designed processes, well-trained associates and an organization that fosters continuous improvement.

But outstanding execution all starts with well-designed processes. No matter how good your associates are, they can be hindered by poor processes. A prime example of this is an ever increasing burden on sales associates to complete paperwork, taking valuable selling time away from their day. The good news is that employees will gravitate toward anything that helps them do their job better.

Training is important – but your associates need to be trained on YOUR processes.

Unless someone is new to the home building industry, they have worked elsewhere and ‘learned’ how to do their job. A new hire with prior experience is beneficial because don’t have to ‘start from scratch.’ Fresh ideas and insight can be brought to your organization. However, a door is also opened for work to be performed differently than desired for **your** company. Training is important – **but you need to train your associates on your processes.**



In summary, the benefits of investing in processes are:

Better Trained Associates – Your people can access an on-line, up-to-date reference detailing how your company business operates.

More Accountable Associates – Information on what to do and how to do it is always accessible – “I didn’t know” is no longer an excuse.

Your Associates Know the Big Picture – Your people know how their day-to-day job fits into the “big picture” – how their job affects other processes – and other people.

A Culture of Continuous Improvement – Documenting the core processes and then executing and measuring results forms the basis for a continuous improvement culture.

Visibility, Control and Assurance – Implementing a BPM software tool allows for the ability to design, “automate”, execute, manage and monitor core processes in “real-time”.

The Ability to “Manage by Exception” – Put the core processes on “autopilot”, and then focus management on instances that are not executing according to the planned workflow. Processes not executing as planned are flagged.

Integrate People, Processes and Systems – Technology and systems are only tools to get the job done. Defining and designing your processes aligns your people, processes and information systems to streamline your associates’ day-to-day work.

People have a tool for understanding not only how they impact other parts of the business, but how they impact each other.

Conclusion

No matter your market - custom, production, or anywhere in between - a well designed, well constructed Pre-Start process can reduce communications errors ‘across the bridge’ from sales to construction and reduce the time to get tasks accomplished.

No matter the size of your company, large or small, a well constructed Pre-Start process will work for you. In a large company there are typically more associates involved in the various tasks required during Pre-Start. More people means more opportunity for miscommunication, delays, tasks ‘slipping through the cracks’. For smaller organizations, where one or two people may be responsible for completing all of the Pre-Start functions, a well designed process serves as a ‘checklist’ – a way to ensure that something wasn’t forgotten or left out.