

Building an IT Upgrade Path

Veridian Homes in Madison, Wisconsin, will save \$107,000 by evolving from accounting-based back-office software to procedural-based systems.

It's one thing to talk about quality. It's another thing to build your entire organization around it," says David Simon, president of Veridian Homes in Madison, Wis. "And that's exactly what we've done." Simon was referring to Veridian's recent recognition by the National Association of Home Builders Research Center's National Housing Quality (NHQ) Program, but he could have been talking solely about his commitment to software efficiency, which recently underwent a drastic change by switching from an accounting-centric operation to a process-centric operation.

The results include a dramatic rise in data accuracy and an estimate of more than \$107,000 per year saved in reduced man-hours in its construction and accounting departments alone.

Making a Software Change

Veridian Homes was formed in 2003 when Midland Builders and Don Simon Homes joined forces. The company is still family-owned and builds 600 homes a year. Veridian Homes did 600 starts in 2004, with 132 full-time employees, plus 10 plumbers and three part-time employees.

Four people on the IT staff support the company, which fields 15 production and construction managers supervising projects on site. The company maintains just one central office, but it has administrative functions at 20 fully functional furnished models. Veridian's average sales price for its homes is \$243,000, and they sell single-family and multifamily homes. The primary target buyers are first-time and move-up buyers. Demand is strong in this target market, which extends geographically beyond their Madison headquarters into Dane and Jefferson Counties, where Veridian Homes builds in 20 neighborhoods.

Veridian Homes is one of just three builders in the country to earn a Silver NHQ certification after participating in a rigorous audit of the implementation of its quality assurance system. Part of that quality is characterized by the company's IT solutions. Christopher Luter, CIO, recently guided Veridian through a software change. The company used Timberline Office for accounting and Timberline estimating, which ran in tandem with Excel spreadsheets and SureTrak. Though Luter and the IT staff stayed with Timberline Office, they have dropped Excel spreadsheets

and SureTrak, and switched to Punchlist Manager (Bosch Digital Power Tools) and BuilderMT's Purchasing and Scheduling.

Those programs are part of BuilderMT's Workflow Management Suite, which streamlines workflow and optimizes business practices by automating the flow of information and coordinating accounting and estimating applications. So Veridian Homes switched from an accounting-centric operation to a process-centric operation. Specifically, Veridian Homes' operation was largely organized around accounting categories, as there was no central software system driving and integrating all the company's homebuilding process for a single dashboard view of operations. After implementing Punchlist Manager and BuilderMT, the homebuilder is now organized around a process-driven procedural system. The integrated software systems (Timberline, BuilderMT, Punchlist Manager) all work in concert, and the Timberline Office accounting is fed data through the predictable steps in the home building process.

Single Entry Boosts Communication

By making this software switch, Luter says Veridian Homes experienced a dramatic rise in data accuracy. The IT department was able to standardize the software application base with all software integrated so reporting and process flow both saw efficiency improvement. With the new systems in place, Luter says Veridian Homes' employees can now access and interact with data in a much more versatile digital environment. Employees can view the sign-off date on a new home plan, so the design coordinator will know when customers' option selections need to be completed. The options selections impact change orders, which impact the critical path schedule of building the home.

With the new-found data integration and the transparency it allowed to the home building processes, the design coordinator, for instance, can see the effects of his or her decisions in advance. Construction managers also benefit, as they can now view all and any changes to the construction flow; moreover, all timelines and deadlines are visible to each and every department that is granted access, based on their roles and security privileges.

As with any homebuilder, Veridian Homes is looking to drive up margins and to achieve higher start volumes without increasing staff. It is too early to predict the magnitude of those benefits, but the company has seen an immediate and dramatic rise in construction efficiencies and a streamlining of accounting processes, which will produce a healthier bottom line, according to Bill Bublitz, vice president of finance.

With the change-over in software -- and the process-based approach it brings to their operations -- Veridian Homes expects its savings will continue to accrue. BuilderMT's scheduling software will eliminate cross-departmental duplication and largely eliminate updating of data. When a change was made on the estimating end under the old system, there was no central system to notify other departments such as design and construction. Under the new integrated system, a change to the construction schedule is updated wirelessly (with BuilderMT's Wireless Scheduling) with one keystroke across all departments. Plus, an automated email is sent to all pertinent departments and vendors. Veridian Homes is still in the process of requiring all trades to have email capabilities.

Improving Communication in the Field

As for the communication with field supervisors, Luter says the software has increased efficiency and accuracy for its production manager and construction managers by improving the flow of information from the main office to the construction sites. Under the former system, the construction schedule was updated every three to five days. With the new software through the pre-integrated software the update is instantaneous, which saves time for the production managers.

Additionally, it is Veridian Homes' goal to have all departments on this software package -- from the buying stages of land development to the 11-month warranty on an individual home. The data that can be drawn from this will provide a tremendous wealth of highly detailed customer information, all centrally located. Veridian Homes guarantees a closing date in writing upon signing a contract, and it has met that goal in 99 percent of its homes. In the past, the company used multiple sources of data tracking -- such as Excel, Access and other software packages -- to ensure that it has seamless and timely home building and closing processes. But this new software combination integrates information and departments to further improve the process. The integration of tools and consistent foundation of back-office software has already improved the processes, accuracy and profitability of the company across the board.

Specifically, Luter pinpoints improvements to the schedule process that will take place because:

- Staff can now be assigned roles within the software.
- Schedules can be updated in the field and synced upon return to the office (BuilderMT just introduced wireless connectivity all the way back to Timberline Office, so even this process can see improvement).
- Mistakes and job changes will be reduced with the role-based security.
- Built-in and custom reporting is improved.
- Custom schedule views for subcontractors are available and easy to change and update.
- There is improved internal communications with accounting, due to auto-notifications through the software.
- Data exchanges are real-time vs. what was typically a three- to five-day lag on schedule update processes.

Implementation and Return on Investment

Implementing new software for a 600-start builder would strike fear into the hearts of mere mortals, but at Veridian Homes the integration of the software package was a four-month long project. However, most of that time was not consumed by the work of the new software. The time was consumed by Luter and the IT staff extracting data from its custom applications, which were replaced by BuilderMT's scheduling module. Veridian Homes experienced its biggest delays when the IT staff set out to find solutions or to develop new processes to resolve idiosyncratic components of its building processes that were not available in any new software but were contained in its old custom-built application.

As for return on investment, Veridian Homes expects to return its investment in the software based on the labor hours alone in 90 days. The IT staff expects there will be even greater savings once all processes are integrated.

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