



Smart Business

Builders turn to technology for more profitable bottom lines

by Kim Jackson

Tired of living with paltry net margins, yet knowing that there's something out there to boost them, many builders have been increasingly — sometimes even reluctantly — turning to technology for answers.

That reluctance comes from earlier this decade when builders invested hundreds of thousands and even millions of dollars, only to get scalded by technology providers who went belly up or simply didn't follow through on their promises. And when you're dealing with thin margins to begin with, it's hard to stick your toe back into the water to see whether it's the right time to invest in technology — again.

Yet savvy builders have been taking that deep breath and plunging in, only to be pleasantly surprised that technology has reached the point where it does what they need — and then some. What's more, these builders are seeing huge increases in efficiencies and communications, which means a stronger bottom line.

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Infinity Home Collection

The first investment

According to Tom Gebes, president of Builder MT — a software company that specializes in using industry-accepted best practices for home builder technology solutions — builders often want to start with a sales system, but after examining their work processes, they implement back-end solutions such as purchasing or scheduling first, to gain control of their costs.

“Builders start seeing where they're growing, and they're building 300 homes a year while last year they were building 175,” Gebes said. “But they're not adding any more to their bottom lines because they have to keep adding more staff. They start looking at their financials and realize they're not making any more to their net margins before taxes because either their processes or technology are broken.”

After suffering the inefficiency of having someone in purchasing doing the same thing as someone in accounting or construction, Infinity Home Collection turned to Builder MT to fix its pain. Almost immediately, the eight-year-old builder saw an improvement in its tracking.

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Purchase orders are attached to Infinity's schedules, so once “a scheduling activity is approved, the purchase order is approved, and it creates an automatic invoice in our system,” Walsh said. “Now there's one click of a button on an actual completion date and that takes care of an invoice that's not having to be turned into accounting and approved by purchasing.”

KB Home wanted to do both: cut down on inefficiencies and boost communications with its trade partners. Bill Wood, senior vice president at the company, said, “There was nothing actually that broke. We just saw the technology was there to improve things.”

Building an average 1,500 homes a year, the nearly 50-year-old builder had the advantage of multiple locations throughout the country feeding suggestions for improvements to a centralized information technology department. From there, KB Home has been implementing its own proprietary software in phases.

KBTPO (Trade Partners Online) is the online communication system between KB Home and its trade partners, “where everything regarding scheduling, payments, specific selections on a house-by-house basis, can be communicated and looked up online, 24/7,” Wood explained.

Pam Ward, the company’s purchasing assistant, said that KB used to mail out paper work to the contractors, and if it was misplaced, mail it out again. But with KBTPO, “we have automated all of that. They can go online and pull up the print work orders. If they lose it, they can reprint it again. If they turn it in to be paid and want to know whether it’s been entered, they can check that too.”

Wood added, “We’re down considerably on information errors between our purchasing department and our trade contractors.”

Communications boost

At the heart of any business is effective communications, which was the biggest challenge Village Homes faced earlier this year. According to Scott Caschette, the company’s IT director, sales were significantly down in the first quarter. They held a big company meeting “and out of that meeting, the resounding theme was communication. People needed to communicate better.”

Faced with a number of new employees, along with an expanded geographical footprint into the mountain region, Village Homes needed a solution that “let us collaborate between data and telephone across many departments, many different platforms and many different projects.”

Caschette said that using the Exchange platform in Microsoft Office 2003 “allows us to do quite a bit more in terms of communication and collaboration. We decided on the Microsoft platform simply because deploying the technologies, are, to us, extremely cost effective. Microsoft technologies are simple, to-the-point and cost-effective technologies that we can deploy quickly, and they’re widely supported.”

Superintendents and technology

Another area where builders are seeing big gains is with their superintendents on jobsites. “These are your front-line guys,” Gebes said. “They are managing millions of dollars in inventory and construction, and they need to be on top of things.”

But most superintendents are not early adopters of technology, so builders often use a multiphased approach to bring them up to speed.

Village Homes’ superintendents have been using Palm devices for scheduling and e-mail, along with Citrix, a terminal emulation software, so they can access the company’s intranet. The next phase, planned for implementation in November, is to move to smart phones, where they’ll be able to wirelessly synch their schedules on site.

“The Holy Grail, if you will,” Caschette said, “is to have these guys be able to have data and telephones out in the field any time, anywhere, and to help them do their jobs more efficiently. So if they have a smart phone that has their e-mail, their contacts, their appointments and their scheduling application — along with perhaps a camera, so they can take pictures of the house — that is going to make those guys a lot more effective.”

Infinity Community’s Walsh agreed. Building 120 homes a year, the company has seven Palm devices out in the field. “We’ve tied our

purchase orders and approvals in with our schedules. A year ago, I wouldn’t have thought that would have been a possibility.”

Walsh explained that there are an average of 15 change orders on each house the company builds. Using a Web-based sales software system, “the superintendent can come in at 7 a.m., when the salespeople aren’t here, log on to the Internet and see what’s actually going on with each house on a daily basis, rather than wait for the salespeople to come in and get a hard copy.”

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Improved profitability

By tracking everything in real time, superintendents are better armed to manage those inevitable variances that were previously out of control. “This is what I call eroding profitability,” Gebes said. “Builders are starting to see where they need to get their superintendents educated and trained so they can use technology and help contribute more to the bottom line.”

Walsh added that Infinity can now track change orders and variances on a daily basis, “to see where we are and what the actual profit is projected at today.”

Online bidding

KB Home has also streamlined its bidding process with another proprietary system: KBOLT, which is the company’s online bidding system. According to Ward, KBOLT “puts our plans and specifications online when we open up a community for bidding. We then receive all of our bids on line as well.” The system has been in place for two years and “the great thing about KBOLT is they not only bid online, but once we accept the bids, KBOLT automatically creates a contract for us. We don’t have to do all the entries,” she said.

What’s more, Ward said that reports are generated so KB Home can compare the bids in one place, rather than sorting through a stack of papers.

“Both these systems (KBTPO and KBOLT) have been a big help as far as consistently communicating information, in that it cuts down on errors and time,” added Wood. “Both systems are live too. We can update information, and as soon as we update it, the trade partner can have the current information as well — and vice versa. As soon as they’re done with a bid, we get it instantly.”

Hardware is key

Because Infinity now sends change orders by e-mail, Walsh has seen a significant drop in time spent on change orders, “rather than having them log on each time and view it.” When he started using the purchase order system, Infinity faxed over the purchase orders. “I’d bet it was a 10-hour process,” he said. Now, after using e-mails for purchase orders, “we went from 10 hours to less than an hour — and we do more houses,” he said.



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KB Home's superintendents also use wireless laptops in the field. "We've looked at Blackberry technology, but the pushback we get from the field is that they're trying to do too much search information for the screen capacity," Walsh said. "So it's easier for them to bring up a larger spreadsheet and review it on a normal-sized monitor."

"We use a lot of wireless technology in the field as well," Caschette said. "The efficiencies I get is that instead of having to run data or telephone lines to every sales or construction model, I run a T1 [line] to a central area and then we use wireless spokes to maybe five, six, seven different sites that all share that T1 line. So instead of having to manage and pay for all those extra data lines and equipment at the end of the data lines, I put in one T1 and gain cost effectiveness there."

Village Homes' migration to the smart phones later this year will also save the company on a purchase of 50 to 60 PCs next spring.

Caschette is also installing SharePoint Portal, a content-intelligent Web portal and the enterprise version of Windows' SharePoint. It keeps people involved on a project up to date on its progress — all on line.

"It's like a shared drive on steroids," he quipped. "It allows end-users to create sites dynamically on the fly whenever they want. And these sites can hold content such as discussion boards, surveys, image libraries, document libraries, announcements, contact information, links and a host of other applications that are available on the Web."

Results rule

At the end of every day, the status of each KB Home house is updated online using the wireless laptops in the field. In turn, "what happens on a house today will be relayed overnight to our trade contractors," Wood said, "so they'll know tomorrow if we're still on schedule."

"We've gained over 95 percent accuracy in our build schedules," he added, "and I attribute that to the fact that we have better communication with our contractors because of the technology. We're down to a four-month build time now, which is down from an over five-month build time four years ago — before we had any of this technology in place. Now that the technology is available, we'd be foolhardy not to use it." 🏠

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