

## Overview

If there were ever an industry that screamed for effective data management it would be homebuilding. We are essentially a manufacturing enterprise without the benefits that go along with a manufacturing facility. Our key players are removed from one another geographically, go days or weeks without communicating and more often than not operate in a vacuum comprised of their individual disciplines.

One could make the argument that our industry should have been the one to invent the internet and computer networks. The ability to share common data across geography overcomes one of the greatest historic impediments to profits we have struggled with.

It would be logical to assume that as an industry we would embrace the modern tools of data management with enthusiasm and strive to lever new IT tools as effectively as possible.

Amazingly, this is not the case. In a world where most seven year olds can take a cell phone and in a few seconds have at their fingertips the touring schedule for Hanna Montana or the Jonas Brothers, there are national homebuilding companies with revenues in the billions that:

- Have sales managers telephone in weekly sales numbers that are manually tabulated.
- Don't truly understand the profitability of a home until 90 days after it closes.
- Couldn't tell you without "scrubbing" budgets how profitable their backlog is.
- Routinely miss their projected number of monthly closings due to poor backlog information.

The good news is that it has never been easier or less expensive to take advantage of the numerous tools that are out there. In fact, small to medium sized homebuilders should view superior Information Management as one of the things that gives them an advantage over larger national building companies.

## Integrated Systems – The First Step

Homebuilding companies generate information through several core processes. These processes include:

- Selling Houses
- Starting Houses
- Building Houses
- Paying for the Construction of houses
- Closing houses
- Dealing with warranty issues on houses

One of the easiest ways to deal with the management of the information generated by these core processes is to purchase a software system designed for the industry. There are several companies that offer very affordable products that collect this data in a central location as a result of folks doing their day to day jobs. The act of writing the sales contract generates the releases of purchase orders, which allows vendors to be paid by predetermined scopes of work, etc...

## System Selection

Obviously selecting the right system is the most important decision you will make. I made a poor choice once and paid the price for years.

Take a long look at what is out there. Even over just the last couple of years the systems have improved a great deal.

Determine your needs by making a list of the things most important to you. Some things to consider might be:

- Is the sales office module user friendly
- Can team members view the data they need via the web from anywhere
- Do you want to host it or can the vendor host it
- How much of a hardware investment is required
- How is the support handled after the sale
- Will it improve subcontractor performance
- How does it handle option information like carpet colors
- How are custom options handled
- How are change orders approved
- How easily can data be exported into other applications or data bases
- Do the personalities of your team and the software company match

When our company started looking at systems, we had almost settled on one that was going to cost around a half a million dollars, but it seemed to be something we could make work. As we got closer to pulling the trigger, I questioned the ability of the software to generate a backlog report with all the information we needed. When we talked to some of their users we found out they were creating the report in Excel. Since the collection of data in the backlog report was very important to us we were able to eliminate this system from our list.

We ended up going with a much less expensive system that could do what we needed it to.

Pay particular attention to what it will take to get your sales team on board. Accurate contract information from the start is crucial.

Once you narrow down your choices to two or three packages, go visit builders that are running them and make sure they work as advertised. I did not do that early in our company's history and paid for it dearly.

A funny story:

I can laugh now but at the time it wasn't funny. We were using a sales program that was supposed to export house data so it could communicate with our accounting package. The thing was cumbersome at best and rarely worked. It seems like each time I called in for help there was a new person on the other end of the line.

I called in one time when the whole thing had blown up. I got yet another new support person and explained our problem. He didn't understand how the system worked and I had to explain to him that the data was supposed to export using an ODBC driver so that we could use it with the accounting package. His response was, and I quote, "Well that would be neat wouldn't it."

Talk about a wakeup call.

If I had taken the time to visit some actual users I would have found out that no one used the export feature and instead manually inputted the data.

### The Conversion

After the selection of the package, it is time to convert to the new system. Converting to a new software package is a pain. No matter how much planning you do, no matter how talented your consultants, it is a pain. That being said, there are things you can do to minimize the pain and make it as short lived as possible.

During the conversion process, you have to communicate to your entire organization how the new environment will impact them. Change is scary and if you don't bring the whole team along, you will make it harder than it needs to be.

Let everyone know there will be glitches, but there are processes in place to deal with them. We found it was helpful to let everyone know what issues had arisen and how we dealt with them. When team members are involved in solving problems they become invested in the success of the conversion.

Just like moving offices, moving to a new software platform gives an organization the opportunity to clean out and trim down prior to making the transition. One of the most effective ways to do this is to perform multiple queries on your existing databases or heaven forbid paper files and do away with things you don't need.

This is a perfect time to eliminate poorly performing house plans, elevations, options, even neighborhoods.

During the conversion process make sure you have an IT person preferably on site that can get at the data in both the new and old systems. As people adjust to the new system there will be a need to come up with quick "Bridge" reports to make sure people can perform daily tasks. The ability to do this quickly can really reduce everyone's blood pressure.

### Conclusion

Times are tough right now. If you think your company may not survive, there is no point in investing the time, money and effort to upgrade your Information Systems. But if you have decided you will still be standing when this thing turns, think of the opportunities you will be able to take advantage of:

- An abundance of lots at deeply discounted prices
- The ability to acquire other companies
- Expanding into new cities
- Offering new product to different consumer segments
- Hiring experienced people who can help you grow quickly

Spending the time now to sharpen your systems and processes will allow you to maximize your profitability when the market improves. If you are going to survive the pain of the present doesn't it make sense to put yourself in the position to reap the most benefit from the future?

If we can answer any questions or help let us know.