



2017 NHQ AWARDS

REACHING THE HIGHEST BAR

IMPRESSING THE JUDGES IS LESS ABOUT DEFENDING YOUR METHODS AND MORE ABOUT CONVEYING HOW YOU ACCOMPLISHED THE MISSION

By Mike Beirne, Senior Editor

There has to be a checklist, right?

As a new home progresses through the many stages of construction, isn't there a document that the Classica Homes superintendents refer to for verifying that an area or task is job-ready or job-complete? That was one of the queries from three National Housing Quality (NHQ) Awards examiners during a site visit to the Charlotte, N.C., home builder. They were reviewing the written award application that Classica submitted weeks before.

The NHQ Awards are modeled after the Malcolm Baldrige National Quality Award and are the home building industry's top honors for total quality management. Builders apply for the recognition by completing a questionnaire, and a panel of previous NHQ Award winners and quality-management experts review the applications and select finalists for site visits. A team of examiners visits the builder to validate whether the company actually does what it said it does on the application and to fill in missing details. They grade what they find and confer gold, silver, bronze, or honorable mention status to the finalists.

At this point in Classica's examination, the judges specifically were looking for more detail about how the company measures actual construction quality during the build. (Classica does use an exhaustive checklist for the final quality inspection before deeming a house ready for the home orientation visit with the client.)

"Most of our trades have been with us for 20 years, and some of that takes care of itself," says Brian Hall, director of construction, who is among the six Classica managers sitting around the conference room table.

Earlier that morning, he and Bill Saint, Classica's president and CEO, described how they vet trade partners, provide training for them, and include subcontractors in lean building exercises to help Classica identify ways to reduce costly waste and improve quality. Nearly 90 percent of Classica's work is single-sourced with subcontractors that have been working with the company for many years. Also, during the human resources section of Classica's presentation—the presentation was done using PowerPoint—the managers outlined how they screen job candidates using an online Berke Assessment customized for each position, hire only experienced builders, and train them step by step in a mentorship program that can last as long as six months.

David Caligaris, who has been judging NHQ applicants for 15 years and is CEO of The Green Co., in Newton Centre, Mass., persists with his questions about tracking construction quality. A builder can't remember all the details, he says. Is there a tool you've considered using? he then asks.

Hall responds that as the company grows—Classica builds about 70 homes per year—it may consider using some type of tool, but for now the builder knows what the job is supposed to look like and doesn't need a checklist.

"You're relying on your experience to recognize what's wrong?" Caligaris asks.

"Some stuff isn't documented because I know my guys will get it done," Hall responds. "Our builders just do it, and the trades know when something is wrong. We can also sit down with them and diagnose the problem."

"So if you're not collecting data during the construction stage, how do you drive improvement?" Caligaris asks.



Photo, left: Key managers for Classica Homes, NHQ Gold Award winner, include (front row, left to right): Terri Saint, VP-Design; Bill Saint, President and CEO; Terri Fowler, VP-Finance; (back row, left to right): Brian Hall, VP-Construction; Rick Jasinski, VP-Land Acquisition & Development; Chuck Graham of Newton Graham Consultants. Photo, below, left: Tim O' Brien, CEO of Tim O' Brien Homes, NHQ Silver Award winner. Photo, below, right: Executive team for CBH Homes, NHQ Bronze Award winner: Corey Barton, President; Ronda Conger, VP, Broker.



PHOTO: BOTTOM, LEFT, RAY GUANISNG PHOTOGRAPHY

Hall and Saint explain that continuous improvement happens every week when builders conduct daily construction reviews and discuss areas that need to be improved during weekly construction meetings with the builders and during sessions with the trades. Initially, the answers seem to fall short of a top score for having a systems-and-process-oriented quality management system that's documented for all employees, current and future, to see. During a break in the examination, the judges remark that Classica seems to be relying heavily on the trades and the builders to catch flaws. Later that evening at a nearby hotel restaurant, the judges begin their grading and initially propose scoring

Classica for that part of the construction quality section as a 3 on a scale of 1 to 5, meaning deployed but immature.

But during the conversation, Saun Sullivan, an examiner and the CEO of DSLD Homes, in Denham Springs, La., notes that while Classica may not have the process for improving construction quality formally spelled out, the results—high customer satisfaction and growing market share—show that a process exists. It starts with how the company hires builders, maintains long-term relationships with trade partners, and regularly communicates during construction with those in the field. The others agree. Ultimately, Classica, a 2017 NHQ Award Gold winner, was graded 4.4 for that section by



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the on-site and the written application examiners, with a recommendation to provide more formal documentation.

“There is not one way to solve anything,” Sullivan later says. “There are multiple ways. So I think it’s important that [applicants] realize you really don’t have to defend your way as much as tell [the judges] how you accomplished that goal. There is not one thing that gets you there; there are a lot of ways.”

THE BIG APP

At 250 questions, the NHQ Award application can be intimidating. The document delves into eight areas of a builder’s business: leadership, strategic planning, performance management, customer satisfaction, human resources, construction quality, trade relationships, and business results. Yet the judges try to look at each applicant within the context of what that company should be reasonably expected to accomplish. So a custom builder that closes a dozen unique houses a year is not expected to have the same systems in place as a production home builder that annually finishes 100 repeatable houses.

“A lot of builders see the application, and they say it’s too daunting, we can’t have all those [systems], so forget it. But you don’t need all these things,” Caligaris says. “I [judged] a custom builder two years ago. He did just 12 houses a year. He’s not going to have all these systems. He doesn’t need them. You can have a lot of holes in the boat and still be very good.”

For example, EYA, a Bethesda, Md.-based builder of townhomes and rowhouses and a 2015 NHQ Award Gold winner, wasn’t perfect, and the judges pointed out several opportunities for improvement, says Bob Youngentob, EYA’s co-founder, president, and CEO. “Having been a judge myself, and having [completed] the application, I think the more complete the responses can be and the better organized they can be with regard to how the questions are being asked and having all the right information in the right sections makes it easier for a judge to see if you are achieving the objectives for each of the categories,” Youngentob says. “We had a very organized application, very detailed, lots of backup information. We answered each question very specifically, so it was easy for a judge to follow.”

Classica did score some threes from the onsite examiners and even some zeros—meaning no evidence to substantiate—from the written application judges, and the on-site team noted areas where there is room for improvement. Yet they also commented that Classica’s

presentation was as “tight” as it can get. Bill Saint led the application process for Simonini Builders, a Charlotte, N.C., custom home builder that won gold in 2009, and he participated in site visits as an NHQ examiner this year, so he understands what the judges are looking for.

“They’re actually answering the questions before we ask them,” pointed out Serge Ogranovitch, senior partner of The Potomack Group, in Locust Grove, Va., lead judge and the director of the NHQ Award since 2000.

Classica’s presentation was organized into a two-day agenda divided into time slots for reviewing the NHQ categories and for construction site visits. A PowerPoint presentation is not usually what NHQ examiners see from builder applicants, and other winners have adequately supported their pitch with documents in binders and handouts. But what Classica and other successful applicants did to aid their cause was to follow the flow of categories in the application.

“When you follow the flow, you end up talking about the same system when answering several different questions because the system covers multiple things,” Caligaris says. “The ability to use the application as a guide for presenting your company when the judges come out is a huge takeaway [for applicants] because everybody in that company knows their company inside and out but you can’t make assumptions about what the judges know. You have a limited amount of time to present, so use the flow of the questions in the application as your guide to present your company when the time comes for a site visit or completing your application.”

Another presentation tip is having supporting documentation easily accessible rather than repeatedly sending someone from the meeting room to fetch information. Classica laid out supplemental materials at the end of the conference room table. There, the judges could browse through the employee handbook, the client playbook (a three-ring binder that buyers receive outlining Classica’s sales, construction, and warranty processes in addition to holding important papers such as the contract, change orders, and HOA guidelines), and surveys the company sends to trade partners, prospects, and buyers asking them to rate Classica’s performance, their impression of a neighborhood, or the client’s design studio experience. Having those details at the ready gave the impression that the company was prepared and paying attention to details. “The application can be intimidating, but the process of doing it has more value than the award because it forces self-examination,” Caligaris says.



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CLASSICA HOMES

KNOWING WHAT TO DO AND GETTING IT DONE



Eight subcontractors and building material suppliers sat around the Classica Homes' conference room table to meet the NHQ judges. Many of these representatives have been with the builder since the Charlotte, N.C.-based company opened in November 2010 and previously worked with Classica managers for a decade or more when they did business with Simonini Builders, which closed.

"They have the best understanding of building science of anyone in this town," says one subcontractor. The electrical contractor added that when Classica says a house is ready for roughing in, "I trust Classica 98 percent of the time. The other builders, maybe half the time. Sometimes

2017 GOLD AWARD WINNER CLASSICA HOMES

LOCATION: CHARLOTTE, N.C.

FOUNDED: 2010

MARKETS: Charlotte, N.C.

2015 REVENUE: \$43.9 million

2015 CLOSINGS: 67

QUALITY BEST PRACTICES:

- Employees are allowed 40 hours of time off from work per year for community service and there is a high level of community involvement by leadership
- Fact-based competitor product comparisons are made
- Good understanding of what elements drive customer satisfaction



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I've gone out to [other builders'] jobs and the house is not there or the second floor isn't framed." The landscaper related that he forgot to bill Classica for constructing a retaining wall. The builder caught the oversight and paid the bill immediately. Indeed, all trades are paid every 30 days.

Several more minutes ensued with the visitors telling the judges about what doing business with the company was like. "Classica is clearly the builder of choice with trades and suppliers," the judges wrote on their feedback report for the 2017 NHQ Gold Award winner. The award validates that the winner has a quality management system in place that can turn mission statements and broad strategy into execution. As far as the trades were concerned, Classica was making good on such core company values as teamwork, doing what's right, and delivering.

The semi-custom home builder closes about 70 houses per year. Its managers set a goal to build 100 homes in 2018 and have a 10-year vision to close 300, expand into another market, and maybe even have townhomes in the mix. To get there, they will use the same Traction methodology—based on a best-selling business book of the same name by Gino Wickman—to identify strengths, weaknesses, and needs that previously prompted Classica to get out of building houses in the \$600,000-plus range coming out of the recovery and into the \$450,000 to \$550,000 market, which had three times more buyers. The ability to adapt—another core company value—was demonstrated by hiring Bassenian Lagoni, in Newport Beach, Calif., to design a new product line of lower-priced homes, and additional skill sets were added by bringing in a new superintendent and purchasing manager. Sales and gross margins have steadily improved since 2013, and Classica is aiming for \$50 million in annual revenue in 2018.

"I hope we get the Gold," Bill Saint said during a break in the visit. "It allows everyone in the company to get more in tune to what everyone else is doing. It helps in training when everyone sees a greater sense of purpose. All the departments see what the others do, so salespeople, for example, learn about what the construction department does to build better-quality houses, and they can use that information in their sales presentation to clients."

Other Classica notables that the judges rated as best practices or scored highly include the following:

- The sophistication of Classica's market intelligence was lauded as a "competitive strength." The cloud-based IT system, called Structure, is customized by a full-time programmer for deep data gathering. For example, each month, multiple listing service data—which includes

information about competitors' houses—are dumped into the database and sorted to identify market opportunities. Sales leads are entered into the system, which triggers email follow-up messages and tracks all feedback from prospects. Structure also is used to track visitor traffic to Classica's model homes from five different sources, as well as behavior on Classica's website such as mouse tracking and other analytics.

Any data, whether a client name, a price for an option, or a promised delivery date, only needs to be fed once into the Structure system. That information is then automatically linked to the company website, contracts, change orders, and so on, eliminating the risk that new information isn't being transferred from one document, system, or process to another. Structure includes the warranty portal, so a warranty manager can go into a file months after a house was built and pull the plans, engineering report, selections, and more. The platform also accommodates the online construction schedule that is shared with the trades and enables the partners to see what's ahead of them for the next six weeks with real-time updates when inspection delays or weather force changes.

- The Client Playbook was cited as an industry best practice. The three-ring binder is given to clients at contract signing and grows as they move through the sales, design, and build stages. Among the literature included is the Homeowner's Companion Manual, which educates clients by outlining the sales, construction, and warranty process. In all, the Playbook will hold the contract, specifications, site map, landscape plan, mortgage information, utility service, design selections, change orders, and HOA guidelines.
- The judges noted Classica's customer-centric culture. The leadership team reviews the status of every client's home under construction in weekly meetings, and with roughly 30 houses under construction at a time, it's small scale enough to enable managers to see clients at their home, the sales office, the design studio, and the field. Consequently, they hear about the customers' experiences and any complaints firsthand. The builders also communicate weekly with clients, and Saint routinely sends email to customers asking how their recent meeting went and requesting feedback. That harvest of buyer sentiment and opinion has been used for product development. Among the changes implemented: replacing shower pans with tile, adding hardwood flooring to previously carpeted areas, and providing walk-in storage space.



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TIM O'BRIEN HOMES

GOING ABOVE AND BEYOND FOR CUSTOMER SATISFACTION

To get the high marks that Tim O'Brien Homes earned for customer satisfaction, the 2017 NHQ Silver Award winner had to deliver from contract through warranty. Doing so requires employees who are committed and engaged.

The builder's Milwaukee and Madison, Wis., divisions received top scores from NHQ examiners for employee satisfaction and staff performance management. They also noted management's commitment to employee well-being and the company's low turnover. That's a credit to the career development and training that the semi-custom builder provides to back part of its mission statement: to exceed homebuyers' expectations by creating a customer-focused experience centered on a professional, honest, and responsive team. Part of that effort included launching a 13-week customer service training program last fall through Forrest Performance Group, a training company based in Fort Worth, Texas, with weekly training calls, video lessons, weekly assignments, and online journal entries. The benefits were realized within a year as the Milwaukee and Madison division's warranty experience scores, as rated by Avid Ratings, a customer experience firm, jumped from 79 percent and 57.5 percent, respectively, to 90 percent.

The Milwaukee division won Avid's 2016 Benchmark Award for ranking within the top 25 percent of home builders for customer satisfaction, and Madison took that honor in 2015. The recent scores included in Tim O'Brien Homes' 2017 NHQ application show that the builder is among Avid's top 10 percent.

Tim O'Brien Homes establishes customer relationships by setting proper expectations with five formal orientation sessions during key parts of the process: pre-construction, pre-drywall, pre-close, the 60-day warranty checkup, and the 11-month warranty checkup. During the entire build process, new-home consultants and construction managers phone clients weekly to provide updates and identify any items that need attention. Buyers also receive multiple Avid Ratings surveys to provide feedback about the construction process (sent around installation) and move-in (about 30 days after close), as well as a 12-month warranty

questionnaire. If the builder is rated a 3 or below on a scale of 1 to 5, or if there are negative comments, calls go out to the customer to uncover more details and to find the root causes so that improvements can be made.

Rewards are tied to customer satisfaction and profit, with a bonus program that pays employees for exceeding profitability goals and a 92 percent customer satisfaction score. The Milwaukee division exceeded those targets for 2015 and shared in a \$47,000 bonus pool. The company also started an annual recognition program based on Avid scores in several categories including best neighborhood team, best office team, best selections coordinator, and best communication within a department.



2017 SILVER AWARD WINNER TIM O'BRIEN HOMES

LOCATION: PEWAUKEE, WIS.

FOUNDED: 2007

MARKETS: Milwaukee and Madison, Wis.

2015 REVENUE: \$67.1 million

2015 CLOSINGS: 217

QUALITY BEST PRACTICES:

- A good planning process exists to take advantage of market opportunities
- Lessons learned are shared with all employees
- Customer satisfaction is an integral part of the vision, mission, and values of the organization



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CBH HOMES

ESPRIT DE CORPS AND SOLID MARKETING POWER CONTINUOUS IMPROVEMENT

The enthusiasm among CBH Homes employees was so obvious during the 20 hours that NHQ judges visited the Meridian, Idaho, builder, that they considered the staff's professionalism and the work environment among the industry's best practices.

"Internal morale and marketing—aka office design, signage, communication, work environment—were extremely good," was one of the site examiners' observations about the 2017 NHQ Bronze Award winner. And the judges' report states: "CBH Homes does ... have a first-class staff and solid personnel foundation. The work environment was fun, positive, infectious, and a joy to be around." CBH's "Love Wins" culture includes book clubs, a daily inspirational quote, office art, company-sponsored weight-loss and fitness competitions, and an activity at every quarterly CBH meeting, be it a dance party, games, making a music video, or some other celebration inside or outside the office.

There are more reasons why the company has made the *Idaho Business Review's* list for Best Places to Work for the past six years. Flexible work schedules are available, and all 77 employees are encouraged to embark on an annual personal growth plan by reading at least three books, attending three classes or conferences, and watching a webinar and following an industry blog or magazine. The judges also noted that the employees and the company leadership are passionate about their work and their impact on the community. "We're their family and [are] here to ensure they love what they do," CBH's NHQ Award application states.

CBH Homes boasts a 45 percent share of the new-home market in Southern Idaho, and one factor in its success is its rigorous sales training, which NHQ judges lauded as a "solid performance management process." The builders adopted sales trainer Myers Barnes' 10-step new-homes sales regimen for training new hires under the tutelage of the sales director and sales coaches. And ongoing training for the 26-member sales team continues via monthly meetings, webinars, book clubs (the latest title was *Buying the Experience*, by Jeff Shore), and sharing relevant blogs, articles, and podcasts.

The sales team responds to all leads with a personalized reply within 5 minutes or less of contact and uses customer relationship management software to ensure consistent follow-up with prospects and clients. Either by way of phone calls, email, videos, or handwritten notes, the CBH team contacts customers about 42 times within 12 months. That contact also occurs with CBH's 15,000 homeowners through various homeowner and community events. The result is a high volume of satisfied customers who return to CBH for their second or third home and also refer family and friends—the builder had 342 referrals in 2015. **PB**



2017 BRONZE AWARD WINNER CBH HOMES

LOCATION: MERIDIAN, IDAHO

FOUNDED: 1992

MARKETS: Southern Idaho

2015 REVENUE: \$176.5 million

2015 CLOSINGS: 900

QUALITY BEST PRACTICES:

- Significant focus on individual growth plans
- Simplicity and warmth of vision statement
- Warranty requests are logged into a system for post-closing care