

PHRC Report #37: Management Guidelines for Growth Oriented Homebuilding Firms

Date: October 1994

Author(s): J.H. Willenbrock.

BACKGROUND:

The homebuilding industry plays a significant role in the economy of the United States. It is a diverse, fragmented industry composed of many small, and a lesser number of large firms. Management of homebuilding firms presents many challenges and some pit-falls, particularly with regard to the technological changes which are occurring and the management changes which are required if the residential builder/developer wishes to be successful, competitive, and, more importantly, remain solvent. Many studies have been performed with respect to the management of large companies, both within and out of the construction industry, but only a few studies have focused directly on the management of builder/developer firms. Well conceived management principles, management systems, and management techniques that address the peculiar needs of this facet of the construction industry have not yet been developed.

SUMMARY OF RESULTS:

As an introduction to the management of homebuilding firms the transition of leadership from the natural, centric oriented leader to the radic management leader is discussed. A study of the nature of managerial work and the interpersonal, informational, and decision roles that leaders play is also provided. Finally, a systems approach to management, which includes a transformation process consisting of the functions of planning, organizing, staffing, leading, and controlling, provides guidance for homebuilders who are struggling to define their orientation to management. Of these functions, it is suggested that planning is the "keystone function".

It is noted that the builder/developer is the key figure who must translate society's requirements in terms of the housing market, governmental controls, and financial parameters into a finished subdivision or house. The above noted management functions are used to coordinate a development team consisting of in-house personnel and retained consultants and specialists. The particular method of management of the builder/developer is, however, very much dependent upon the particular stage of growth of the firm.

A management growth model is therefore proposed that captures the proposed relationship between managerial proficiency and construction output at four proposed plateaus or stability zones. In addition, it is proposed that there are transition zones which are extremely critical to the survival of the firm. It is during these periods that changes in managerial proficiency are made by the builder so that the firm will be able to either increase its construction output to the next higher level or reduce its construction output to the next lower level.

It is suggested that the primary components of a homebuilding firm's managerial proficiency are the builder's management systems, management techniques, organizational structure, and educational attitudes. The changes in each of these components as the firm progresses from a Level I builder to a Level IV builder are

described. This description can be used as the basis for a macro-approach to management growth model analysis by the homebuilder to determine the particular stage of management growth of his/her firm.

The management systems component of managerial proficiency is then examined in greater detail by identifying ten representative management subsystems that are extremely important to the homebuilder. These subsystems are grouped in the following categories: (1) Planning Systems, (2) Control Systems, and (3) Service Systems. The changes which occur to each of these subsystems are described for a homebuilder that progresses from a Level I builder to a Level IV builder. These changes are expressed in the following two formats: (1) a graphical representation of the characteristics of each subsystem and (2) a detailed set of definitions that describe the characteristics. This information can be used by a homebuilder in a micro-approach to management growth model analysis. Implementation guidelines and a number of homebuilder interview forms that can be used for either the macro- or micro-approach are provided. In addition, the results of a micro-approach study of ten homebuilders is provided.

WHAT IT MEANS TO YOU:

This report provides the homebuilder with the information and procedures that are required, either from a macro- or micro-approach viewpoint, to determine the particular stage of management growth of his/her firm. An understanding of the positioning of the firm on the management growth model that relates managerial proficiency to construction output establishes an important framework for either growth or retrenchment as the economy changes. Keeping both of these factors "in balance" will assist the homebuilder in avoiding the types of problems that can threaten the survival of the firm. The extensive description of the management subsystems at each level also allow the homebuilder to make important decisions about the changes to managerial proficiency that should be made if a structured plan for either growth or retrenchment is desired.

WHAT'S NEXT?

The material presented in this report, as noted above, can be directly used by the homebuilder to make some important decisions about how his/her firm should be managed. The material can also be presented as a one-day technology transfer course for homebuilders who desire some instruction before the implementation process is started. Guidance for the presentation of such a course is presented in PHRC Report No. 38.