

## Raising Satisfaction Levels and Market Share in a Competition-Rich, Labor-Scarce Building Environment

### Executive Summary

Since implementing in-house facilitated training in The 7 Habits of Highly Effective People®, Younger Brothers Construction has enjoyed clearer communication, better cooperation with its trade partners, less rework, improved cycle time, and reduced costs.

With results like this, it's easy to see why the company has consistently increased customer- and employee-satisfaction scores, growing market share by two percent in 2001. In 2002, new orders are up 10 percent over the same time last year and 18 percent over this year's projections in the extremely competitive and flat Phoenix housing market.

Ranked 63rd among Arizona's top 100 private companies, Glendale, Ariz.-based Younger Brothers Construction (YBC) has experienced remarkable success and growth since its founding in 1975 by then 22-year-old, part-time student Jim Younger III.

Today, YBC is one of Arizona's top housing trade contractors, employing nearly 1,000 workers in four companies: 1) framing, 2) roof trusses and wall panels, 3) door and trim installation, and 4) lumber supply. The fast-paced housing industry in the Phoenix metro area has been averaging 30,000 housing starts annually for several years. In fact, the Phoenix housing market has traditionally ranked No. 1 or No. 2 in total housing starts, just ahead or just behind Atlanta, Georgia.

### Growing Pains and Labor Shortages

According to Younger, his company was framing roughly 300 homes a year back in the mid-1980s. Then the October 1987 stock market crash hit and housing starts plummeted. Many contractors moved out for greener pastures. By 1990, however,



“this place took off once again, almost overnight,” said Younger. “There was a severe manpower shortage, and the No. 1 challenge for all contractors was finding skilled labor. Many of the qualified workers still in the area took management positions as the market improved, further depleting the labor force.”

Finding adequate labor for the Phoenix market remains a problem today.

“And a scarce labor force creates other problems, such as quality and cycle time, and all of that drives up costs,” Younger said.

## What Makes it Work for the Good of Business

When Jim Younger III, founder and owner of Younger Brothers Construction (YBC), attended FranklinCovey Symposium in Salt Lake City a few years ago, he discovered the concept of balanced scorecards—a framework that links business strategies with day-to-day activities in order to make improvements and track progress.

According to The American Productivity & Quality Center, a non-profit consulting organization based in Houston, Texas, organizations tend to juggle a number of improvement initiatives simultaneously, but often lack the alignment to structure these initiatives in a cohesive way that addresses an overall strategy. Integrating the four related perspectives of finance, customers, internal processes, and innovation and learning, balanced scorecards are a means of understanding the overall performance of an organization. Plus they're a way to focus people's attention on desired behaviors and desired results.

*"After Symposium, I knew that balanced scorecards were something we needed to do," said Younger, "but we struggled for two years on how to implement them. I called Debra Larson, our FranklinCovey Client Partner, and she hooked us up with FranklinCovey consultant Jim Stuart, who has since taken a very complicated subject and made it something we can all understand, implement, and maintain."*

Younger added, *"If we claim to be an innovative company, we need a gauge that shows we are; if we're committed to safety and to customer satisfaction, we need gauges that prove it."*

(go to *Respond Instead of React*, p. 3)

## The Timely Influence of Shea Homes Arizona

Today, YBC frames homes for such successful builders as Shea Homes Arizona, Shea Active Adult Communities, Ryland Homes, Lennar Homes, T.W. Lewis, Beazer Homes, Monterey Homes, Edmunds Toll, Journey Homes, Sivage Thomas, Greystone Homes, and US Homes.

Shea Homes Arizona, a subunit of J.F. Shea Company, Inc. based in Walnut, California, has been a fixture in the Arizona market since 1989, when it purchased the assets of Knoell Homes. By the mid-1990s, Shea Homes Arizona president Garth Weiger recognized an escalating problem tied to the labor shortage. Homes were not being built quickly enough, plus there was a quality problem. In the extremely competitive Phoenix market, where no home builder has a 10-percent market share, not keeping up with demand means losing out to other builders.

According to Jim Younger, Shea Homes' Weiger called him on the phone with some good news and some bad news. The good news was that Shea Homes was starting a Total Quality Management (TQM) program and was inviting its "trade partners" such as YBC and others to participate. The bad news was that it would cost each trade partner \$5,000 to get involved, and a consultant would be sent out to review their operations.

"I wasn't open to the idea of training at the time," Younger said. "I was doing a lot of Shea's business and felt I was pretty good at what I do. Although I'd recognized the same problems Garth had, I felt we were doing the best we could do. I didn't realize until after I got into the TQM training how wrong I was."

## Supporting TQM with The 7 Habits®

Buddy Satterfield succeeded Weiger as president of Shea Homes Arizona, and carried the torch to find new ways to build homes better, faster, and cheaper to reduce cycle times while improving quality and reducing costs.

Younger credits Satterfield and Paul Kalkbrenner with turning Shea Homes Arizona into a learning organization that continuously seeks ways and means to make itself and its trade partners better. "All of the TQM pieces and parts Shea Homes gave us initially were wonderful, but until they brought in The 7 Habits of Highly Effective People training, the trades were still doing business the old way, which was to back-charge each other for mistakes, fix the work, and never talk about the issues," Younger said. "Then all of a sudden we had this new approach called Think Win-Win®, and a new language."

Younger explained the way to make TQM work is to get all the trades to a place where they truly understand each other, where they can cooperate.

“The language of Think Win-Win means I’m not only looking out for YBC but also for my other trade partners—concrete, plumbing, electrical, drywall—and providing a end product that makes it easier for them to do their jobs, to care about what they care about, and in the end, build relationships and improve things for everyone,” he said. “I can’t believe we worked all those years and never figured that one out. It took Shea Homes and The 7 Habits to help us discover the business benefits of improved human relationships.”

YBC now has six licensed facilitators that teach The 7 Habits of Highly Effective People workshop, held at the headquarters facility and at YBC’s Door and Trim site. “We’ve put the entire management team through the training and continue to conduct workshops throughout the year,” Younger said. Lorie Bonzo, director of Human Resources at YBC added, “We’ve witnessed extraordinary changes in people’s professional and personal lives.”

## Skilled Labor Pool

The labor shortage in the Phoenix area has positioned Hispanics among the most available skilled laborers. While not all trade contractors in the area have adapted well to the current labor environment, YBC has embraced the challenge proactively. Indeed, out of the roughly 450 workers in the framing operation, nearly 70 percent are Hispanic.

“We’re very pleased with the work ethic and loyalty among our Hispanic associates,” Younger said. “Bridging cultures in a business environment is a two-way street. We’re committed to learning Spanish, we’re developing The 7 Habits training in the language, and we’ve complemented our Human Resources department with a Spanish-speaking staff, some of whom will be trained as facilitators for The 7 Habits. Plus, we publish our newsletter in Spanish. We’re also assisting our Hispanic employees in learning English and in how to adapt to our culture a little bit better.”

## Measurable Results

YBC has conducted satisfaction surveys for the past six years. Are customers (builders like Shea Homes, Ryland, and Lennar) satisfied? Younger considers increased market share a strong indicator. He said YBC has boosted total market share in the Phoenix valley from seven percent to nine percent in a flat market. “What’s more,” he said, “we’re 18 percent over our housing-start projections for this time last year, again in a flat-market environment.”

He added, “Training in The 7 Habits has influenced our customer relationships to an exceptional degree. The magic in home building is in the hand-off from trade to trade, and in what we can do to make other trade contractors’ jobs easier in order to reduce cycle time.”



## Respond Instead of React

Younger said his company has had no lack of measurements. *“We have measurements everywhere. Prior to balanced scorecards, when a problem arose, we’d start looking in one haystack, then another. You can be in the seventh or eighth haystack when a new problem crops up.”*

He explained that balanced scorecards provide a focus on “lead and lag” indicators. In the area of safety, for example, a lead indicator would be a safety violation written. No one’s been injured at this point. A lag indicator would be an incident—the accident itself.

*“If you’re doing a good job of tallying up the number of violations written and witnessing that the percentage is going up, then the lead indicator is that accidents will increase if we don’t get this under control. You’re not waiting until after an accident to fix the problem. You get a chance to be proactive and do something about it ahead of time. Balanced scorecards give you hyper-focus at a higher level, allowing us to respond instead of react,”* Younger said.

(go to *The Support of Win-Win Performance Agreements*, p. 4)

## The Support of Win-Win Performance Agreements

With balanced scorecards comes accountability, as various members of the leadership team are responsible for specifics being measured. The concept of Win-Win Agreements® is one in which the organization is accountable to its people for overall results, individuals are accountable to the organization for their performance, and all parts of the organization are accountable to each other for the integrity of the organization.

*“Jim Stuart sat down with each member of the leadership team to work through a Win-Win Agreement,” Younger said. “It’s a piece that’s been missing for a long time.”*

*“For example,” he continued, “we’re always pursuing new and better ways of doing things to reduce the amount of re-work and improve cycle time. We’re looking at closed panel systems, which are wall panels that include the electrical and plumbing components right in the panel—something not typically done much in the west. The Win-Win Agreement really spells out accountability, defines outstanding behavior for executives in implementing strategy, and how a leader is going to treat another leader.”*

Younger concluded, *“The Win-Win Agreement is a means of initiating cooperative action so that people can do their jobs better and more accurately measure success. Without question, this is one initiative that makes us enthusiastic about the future.”*



On a scale of 1 to 5 (with 5 being best), external customer-satisfaction survey grand mean totals were 3.5 in 1996, 4.01 in 1998, and 4.09 in 2000. As for employee satisfaction results, the grand mean total was 4.0 in 1997 and 4.09 in 1999.

“As we’ve put The 7 Habits in place, I don’t think it’s any coincidence that we’ve seen improvement in our grand mean total each year, so we’ve really built a incredible culture around The 7 Habits principles,” Younger said. “We’ve identified our core values, we know our purpose, we have our commitments to our customers, team members, and community, as well as to our finances and profitability. We’ve worked hard to bring definition to who we are, what we stand for, and what we want to be. The 7 Habits is not the training ‘flavor of the month.’ It’s sustaining us quite well.”

## Future Focus

To say that Jim Younger is very excited about the future is an understatement. His five-year plan includes finding and applying better building technologies and continuing to improve ways builders and trades work together.

“Until we put The 7 Habits in place—and more recently Win-Win Agreements—synergy and teamwork were vague concepts to us,” Younger said. “Becoming a learning corporation is the greatest thing that’s ever happened to us. Where we once saw ourselves as just a trade contractor framing houses, we now see ourselves in the people business. The language we now speak has really defined specific behaviors amongst ourselves, how leaders need to operate, how people need to interact, and how we need to respond to each other.”

He concluded, “The 7 Habits enabled us to go places we never thought we could. I couldn’t be more proud of the people I work with. I’ve also developed good business relationships with other trades. I enjoy my work and the home-building industry more than ever.”