



Back to Basics: Pick the Right People by Paul Sharp and Al Trellis

There's an old saying that many builders believe: "If you want something done right, do it yourself." Unfortunately, following that adage is a recipe for disaster in business. Unless you're running a hot dog vending stand, you really can't make it on your own in today's world. No matter how smart you are, and no matter how hard you work, you can accomplish more and have greater success by relying on the hard work and intelligence of others.

The problem is how to get other people to do things the way we would want them done, without having to constantly look over their shoulder and tell them what to do every step of the way. That's what people power is all about. Finding, hiring, motivating, and keeping first-rate people, who will think and act independently and make profits for you and themselves.

Finding the right people

If you're trying to create a first-rate organization it pays to start with first-rate people. To do that, you have to learn to recognize first-rate people when you see them, and learn what motivates them in order to induce them to join your company. And that starts with yourself. As Peter Drucker once said, "First-rate people hire first-rate people. Second-rate people hire third-rate people." Here are some things to consider in that process:

A company is only as strong as the people that comprise it. Hire the best people available, pay them what the market determines they're worth, and constantly update their skills.



1. Look for what's important

People are often hired based on their experience and education. But attitude and aptitude are much more important. What you're looking for is someone who's willing to work and succeed and is able to learn and grow. When those two traits are present, you can provide both the education and the experience,

especially when you staff from the bottom up (see step 2). It's much better to mold and shape someone who is able and willing to learn than to try to change or correct someone who already has set ideas and preconceived notions.

2. Hire at the bottom levels

Wherever possible, hire good people at the lowest levels of your organization. For example, if your superintendent is overworked, think about hiring an assistant superintendent instead of a second super. Why? Not just because the cost of an assistant employee is less than that of an experienced super, but also for these reasons:

- The existing employee feels important, (the new person is someone to help him) rather than threatened (not someone with whom to compete).
- You can mold the new employee the way you want. He or she hasn't picked up a set of ingrained habits that may conflict with the way you want to do things.

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■ You provide an upward migration path. By hiring from the bottom, you enable people to look forward to the possibility of promotion.

3. Follow your first instincts

The best time to fire someone usually is when you think of it. When you reach a point where you actually consider firing someone, it's probably the time to do so. How many of us hold on much too long, trying to be fair, waiting for an employee to change his or her bad habits? Unfortunately, people rarely change. If they keep repeating the same mistakes, the time to fire them is now, not six months from now, after they've made a lot more mistakes.

Hiring good people who want to work hard, finding ways to motivate them, and quickly letting go of those who don't measure up will go a long way toward making your organization stronger and better.

Motivating Employees

Once you have found the right people, you are still faced with the issue of retaining them, and keeping them motivated. A recent survey of managers and employees across the country provides an interesting insight into the changing work environment. Employees were asked to rank ten factors that affect job satisfaction in order of importance to them. Managers were asked to rank the same factors. The managers responded as you might expect – they rated good wages as the most important criteria, followed by job security. But the employees responses were surprising. The most important criteria was “work that keeps you interested.” The second most important criteria was “appreciation of work done.”

Good wages was rated eighth out of ten factors.

This is similar to the business management concepts “Theory X” and “Theory Y,” developed by Douglas McGregor. Theory X said that people basically disliked work, had to be constantly supervised to maintain productivity, and worked primarily for

financial incentives. Theory Y said that people actually enjoy work (provided that it's not mind-numbingly boring), and were motivated primarily by a sense of accomplishment. The truth, however, is that if you treat people like Theory X, they'll become Theory X people. If you treat them like Theory Y, they'll act like Theory Y people. The idea behind people power is to enable your workers to be self-motivated, productive people who will go out and make more profit for you and for themselves.

There are seven elements to People Power. They all start with the letter P: **P**raise, **P**ay, **P**leasant environment, **P**erks and privileges, **P**roductivity tools and education, **P**romotion, and **P**rofit sharing.

Praise

It's amazing how hard people will work for a little recognition. It costs you nothing, but makes everyone feel better. If it's hard for you to tell people when they're doing a good job, change your attitude. Don't rely on formalized awards – people need continual, daily reinforcement.

Pay them what they're worth

That doesn't mean you pay them what *they* think they're worth (which is driven by ego), or what *you* think they're worth (you're trying to save money and are stuck in the past). Pay them what the *market* thinks they're worth. How do you determine how much people are worth? One theory is the marketplace value: an employee is worth what someone else is willing to pay them. To secure their loyalty, you may have to pay them a little bit more. The other theory is contribution value: they are worth a percentage of the overall company profits. Pay may not be the most important incentive for employ-

ees, but it can be a powerful *disincentive*, if they perceive that their contribution isn't recognized or

valued. They shouldn't feel so undervalued that they have to find a new job just to be fairly compensated. If you had to replace them, what would it cost you?

Top-rated people always cost more than second-rate people. Second-rate people are always willing to work for less, but their productivity and contribution to profits is also much less. In the end, they cost a lot more. If you want to compete in today's market, you can't afford second-rate employees.

Pleasant work environment

Your offices don't have to be luxurious, but they should be clean, attractive, and well-lighted. The emotional atmosphere should be supportive and professional. If your people are playing office politics and assigning blame rather than taking responsibility – then you have a problem. People take their cues from the boss. If you encourage people to admit mistakes and then correct them, you'll create a more pleasant working atmosphere.

Perks and privileges

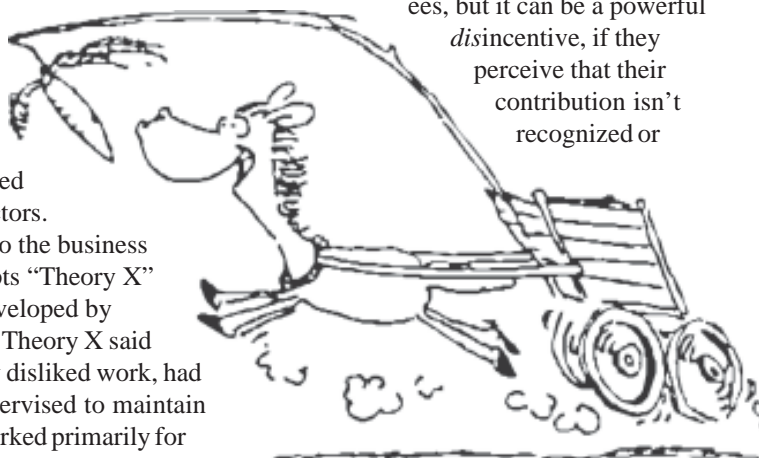
With increased responsibility there should also be an increase in autonomy. Corporate credit cards for business related expenses, corporate retreats, special vacation packages, all say that an employee is trusted and valued. However, perks should be earned, rather than simply attached to a job level. If all the privileges go to the people at the top, it becomes a disincentive to the people below.

Productivity tools and education

To keep your people sharp, you have to constantly reeducate them to the changing needs of the market. People get stale and set in their ways, and need a jolt to their way of thinking every once in a while. In addition, technology is changing so fast that much of what you knew two years ago is now obsolete. Computers are changing the way we do business. If your people use computers, upgrade the equipment regularly (every two years or so), and make sure they know how to use the latest software. Don't be like the guy who hired Einstein, and then made him fill out a requisition for chalk.

Promotion opportunities

As people demonstrate they can handle responsibility, you should give them more and more. Be careful, however, that



you don't promote them out of the work they enjoy. If they're a hands-on, outdoors type of person, and you promote them to a desk job, they may appreciate the vote of confidence, but hate what they do all day.

Some people think that management positions should be more highly paid than hands-on work. However, the real issue is contribution to profits. If someone out in the field is making a major contribution to profits then they should be compensated accordingly, regardless of hierarchical level.

Wherever you can, promote from within. Not only do you save money, but you have less problems with "culture shock." A new person brought in at a low level adopts your corporate culture. When you bring someone in at the top, they often bring with them their own way of doing things, which may, or may not be compatible with your own. Of course, sometimes you want a change in corporate culture, and hiring someone with a different approach is one way to accomplish this. The main reason for promoting from within, however, is that it rewards your people for their work and loyalty, and tells the entire company that there are future opportunities for them based on their efforts.

Profit sharing

Nothing motivates employees like a chance to participate in corporate success. In today's competitive marketplace, profit sharing is a must if you wish to ensure loyalty and keep outstanding people. While other fringe benefits cost you money whether or not you make a profit, profit sharing only costs money when you make money. Writing a large profit-sharing payment to your employees is not an expense—it's a celebration. Ultimately, you want the people that work with you to always think in terms of profits. When they do that, they automatically look for ways to reduce expenses, and increase sales and productivity. The best way to teach them to think that way is to give them a share of the profits.

If you follow the 7 P's of People Power, you'll find that your company will attract a higher quality of personnel, and that your present personnel will be more highly motivated, productive and happy. That leads to greater profits for you, and for them.

Are you delivering Ruffle bags with your homes?

by Carol Smith

Someone sent me a copy of the following actual letter, sent by an unhappy buyer to his builder.

"During the Construction of my home, I asked if the furnace would be cleaned of any construction debris and was told that it would be taken care of. Today I opened up the lower section of the furnace to remove and clean the filter and found the compartment full of sawdust and loose screws. After I removed the filter, I found a piece of paper and a Ruffles Potato Chip bag in the compartment next to the filter. In the process of removing the potato chip bag, I incurred a minor cut on my finger. I used my shop-vac to clean up the mess.

Based on this and other incidents that occurred during the construction of my home, I have developed a very low opinion of your organization. Communications between you and your contractors is terrible to nonexistent, and your quality control (if there is any) is worthless. Don't expect any word of mouth recommendations out of me. If anything, I go out of my way to tell my friends and co-workers what a bunch of bumbling screw-ups you are. The saddest part of all is that the conduct of your company is typical of the construction industry.

Harry Homeowner"

Notice that the homeowner is not asking for anything. He merely describes his experiences and feelings. This letter is a result of a chain of events we can only imagine. The potato chip bag is one in a long line of disappointments, the proverbial last straw. The writer will carry his feelings to his next new home purchase. (How many of your current customers came to you with similar memories?)

Can anything salvage this relationship? A campaign to regain this customer's goodwill, organized and implemented by the same people and attitudes who got things to this point is

unlikely to succeed. We can imagine the remarks in the builder's office on receipt of this letter:

"What kind of perfection do these people expect?"

"Do they have any idea what our work load is, or the quality of the people we hire?"

"So he cut his finger. Big deal. Someone call 911."

The original request seems mundane and trivial. That the home buyer found it necessary to mention it at all says a lot about his impression of how things were going. Evidently, the customer's confidence in the builder began to erode early. Sadly, the results show he was justified in being concerned.

The builder's commitment was not carried out. Routine detailing did not catch it either. Presumably a superintendent compiled a punchlist and passed it along to trained personnel who went through the motions of doing some of what was listed, but did not check the furnace as requested. The last opportunity to catch it was missed at orientation.

Even more basic, why is it those who work in and around new home construction seem to believe their trash belongs in whatever container is nearest? The melodramatic and symbolic nature of this incident increases as we begin to visualize a bitter work force, resentful and jealous that others have acquired "The American Dream." Their feelings find expression in acts that are at best thoughtless, at worst vindictive.

How do we react? Are we furious, frustrated? Do we whine and complain about the quality of the help we have available? Who's in charge? What are the implications for our industry's relationship with buyers if we do not have such details under control. The process begins with respecting that such details matter to our customers and taking responsibility for doing something about them. Are you delivering Ruffles bags with your homes?

Ask AI by AI Trellis

Celebrating Success

Q: We have a spec house that has sat on the market too long. How can we lower the price to move it without seeming desperate?

– Desperate in Denver

A: Sometimes a small shift in attitude makes a big difference in results. Here are two ways to do it.

1. Announce your desperation by giving it away. Slash \$10,000 from the sales price, pay closing costs, throw in a free deck, and increase the sales agent's commission.
2. Celebrate your success. Slash \$10,000 from the sales price, pay the closing costs, and throw in a new deck for the lucky customer who helped you reach your goal. It doesn't matter what the goal is. Maybe you've opened a new community, or you've sold your hundredth home. It's all about presentation and perception. The subliminal message in the first scenario says to the buyer: "I'm desperate. My product must not be very good, so please offer less than what the market will bear." The second method, however, says that you've had a banner year and that you want to share some of that success with prospective buyers. Is there any doubt which message is preferable?

There are two reasons the celebration tactic works best. First, it keeps you from setting a bad precedent regarding concessions and negotiations. Since this was a special event, they can't come back to you and demand other concessions.

Second, you can put the best face on a situation. Politicians call this spin control. You want the buyer to view the price reduction as a matter of strength, not weakness. Everyone loves a good time, and everyone loves to share in the benefits of success. The idea is to make buyers feel they are part of the story -- part of why you had a good year and are now in the mood to celebrate.

A Pattern Language by Paul Sharp

Outdoor Room

Christopher Alexander wrote *A Pattern Language*, a master work outlining over 250 rules of thumb that affect home design. In this series of articles, we've highlighted some of our favorite patterns.

Pattern 163 – Outdoor Room

"...Build a place outdoors which has so much enclosure round it, that it takes on the feeling of a room, even though it is open to the sky. To do this, define it at the corners with columns ... and create 'walls' around it, with fences, sitting walls, screens, hedges, or the exterior walls of the building itself."

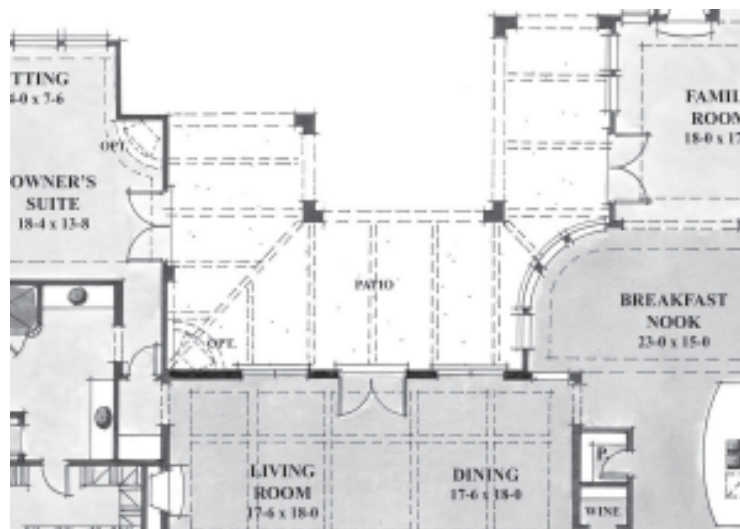
Many of Christopher Alexander's patterns concern indoor/outdoor living.

Most builders fail to take advantage of this concept. They think their job ends where the exterior of the home begins. Or they pay lip service to the idea by putting up minimum fencing and placing a small deck in the back yard. People want

an outdoor area they can call their own, where they can sit in the sun, read, barbecue, and enjoy the weather. If this area interacts with indoor space, opening vistas to the outdoors, it can dramatically expand the living area of a house at minimum cost, and greatly adds to the perceived value of the house.

In the house below, notice how the rear outdoor space is defined by the walls of the surrounding rooms, the pergola above, and the corner pillars. The space also opens to major living areas such as the family room, dining and living room, and owner's suite.

House design by David Court.



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Quote of the Month
“The highest reward for a person’s toil is not what they get for it, but what they become by it.”

– John Ruskin

IN NEXT MONTH'S ISSUE

Back to Basics: Solidify Sales

If people don't know who you are, how do you expect them to buy a house from you? Use a strong message and effective PR to promote your competitive advantages.