

# Team Builder

By Dani Kando-Kaiser

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Widely recognized as the homebuilding industry's leading authority on organizational development, Martin Freedland, who heads the Atlanta-based Berke Group, spoke with California Builder about building strong organizations in today's challenging market. For more than three decades, Freedland has counseled several of the nation's most successful builders on hiring and managing the industry's best people. A long-time member of the NAHB's Business Management Committee and, more recently, the Urban Land Institute, he also is trustee of The Nature Conservancy of Georgia and remains actively involved at his alma mater, the University of North Carolina.



**CB:** How important is developing organizations in our industry?

**MF:** That is a very interesting question given the hard times the industry is currently facing. To conserve capital and reduce costs, the builders have made drastic cuts in their organizations with layoffs and buyouts of people from executives on down. This is understandable for the purpose of survival. However, there is another side to this which few builders have addressed.

The two most enduring assets for a builder are the organization's people and systems. Everything else is fleeting or becomes obsolete. The great infill location is developed and sold, the new software becomes outdated quickly, as do the new elevations. A builder, however, can say, "My people are so much better and our systems are more efficient than they were five years ago."

One of the bright spots in today's tough environment is the availability of superior people. This is the time to upgrade an organization. In good times and bad, the best people will

outperform the competition. We have done extensive studies, for example, of a number of jobs in the homebuilding industry, including the on-site salesperson. This person controls all the revenues. Surprisingly, our hard data shows 50 percent to 75 percent of the new home salespeople cannot and will not be able to sell in a competitive market. These people may have been successful in 2005, but they cannot make it today.

Interestingly, in 2005 we kept hearing, "Our salespeople are order takers." In many instances, that was correct, and now the builders are dependent upon these same people to produce revenues. The top salespeople are still selling. It's hard to understand why builders keep the non-producers who don't sell and blame it on the market. Throughout organizations, we see people who are top performers and mediocre performers. This is the opportune time to strengthen the organization.

**CB:** At a time when builders are being forced to cut back, what are the three things they should be doing to prepare for the eventual market rebound?

**MF:** Objectively evaluate each person as if the person had never worked for the firm. Ask, “Would we hire this person today, or would we keep looking?” Make the changes. Train, train, train to be prepared for better times. Each community has a salesperson. The salespeople need to be actively prospecting, not waiting for more discounts or more advertising to bring them traffic. Waiting for the “roast duck to fly into their mouths” is not a good marketing strategy.

**CB:** What are the three things they absolutely should not be doing?

**MF:** Destroying the organization. Thinking and acting solely on short-term concerns. Ask, “What are the long-term implications if we do this?” Going to your lenders and investors after you get in trouble. Go early when you have a stronger negotiating position and the ability to plan for the long haul.

**CB:** What are some of the greatest success you have helped bring about?

**MF:** Two come to mind quickly, although there are numerous others.

Let me start with our first homebuilding client in 1981, The John Crosland Company. I knew nothing about the industry and was referred to Crosland by a chain of insurance companies that insured the Crosland organization. This was a terrible time in the building

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industry as interest rates soared to the high teens. John Crosland told his executives to take advantage of this “opportunity” to get rid of the non-producers and build a great team. We implemented a sales and management training strategy. When the market turned, Crosland had the second-largest market share of any metropolitan city in the United States and a team which was able to expand throughout the Southeastern U.S. Crosland was recognized as the National Builder of the Year. Subsequently, he sold the company to Centex.

The second success was with David Weekley Homes. In the middle 1980s, David had a fairly new company, doing about \$33 million with divisions in Houston and Dallas, and a very small operation in North Carolina. The “oil patch” states were suffering greatly and David considered two options which were to: 1) downsize or 2) expand. He went with expansion.

We began working together to build the management teams by installing proprietary management and leadership systems. David Weekley Homes implemented these systems to grow across the Southwest and Southeast. Not only did the company grow in numbers, but it also grew in quality and has been on Fortune’s list of the 100 Best Companies to Work For the last half dozen years. I believe Weekley is now the largest private builder in the United States.

**CB:** How can companies take advantage of downturns in the market?

**MF:** Along with some of the ideas we have already discussed, one of the great strategies which both Crosland and Weekley implemented was growing market share. This is best done in a declining market. As the competition is focused solely on managing costs and “pouring salt into their wounds,” this is the time to unleash the sales force to gain a much larger percentage of the new-home market.

**CB:** How did you begin your career as a consultant?

**MF:** I spent 12 years in New York City as an investment banker and was introduced by a client to a firm which focused on organizational development. I spent a year plus with them, and started my own firm.

**CB:** Has there been any one person who influenced you the most in your career?

**MF:** There have been two. One was a senior person in the investment bank in New York. He preached integrity. The second was the most influential consultant in the homebuilding industry: Lee S. Evans. Lee preached candor with clients which isn't much different than integrity. Lee brought me under his wings. He is retired and in his 90s, and we still talk every week.

**CB:** What's the best advice you've ever received?

**MF:** I have learned so much from our clients. One of the things I remember from the very early stages of working with homebuilders came from Bonneau Ansley, a founder of Colony Homes in Atlanta. He told me, “Don't get too



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impressed when builders tell you how big they are. See if they are making any money!” The best advice I can give is to be very careful and selective in choosing with whom to do business. We have had several experiences working with people who are not committed to seeing the final plan through to the end.

**CB:** What's your philosophy toward counseling your clients?

**MF:** Tell them the truth is number one. I also learned from Lee Evans

to control risks. I spoke with a builder from Miami we worked with a few years ago to see how he was doing. He told me his company was profitable in 2007 (amazing in that market) and he had taken advice from the first time we met. He had put money aside which was protected in case of a significant downturn in his business.

**CB:** Given the significant changes in the homebuilding industry during the past couple of years, what do you think organizations will look like in a year? In 10 years?

**MF:** There will be a big scramble for people and land when the turnaround occurs. Very few builders will be ready for this, and they will all be chasing the same people and land. There will certainly be fewer builders and most will be much smaller. New people will enter the industry, and I suspect the cycle will continue to repeat itself.

The public builders will say, "We have learned from our past mistakes." A number of new builders will enter the market and chase the up-cycle. There will probably be a bifurcation in the organizations with some companies being solely in the land business and some companies being merchant builders who buy the finished lots. This will likely be a "risk management" strategy as the new-home market improves. As the merchant builders become financially healthy, they will jump back into the development business.

Likewise, some of the developers will see the opportunity to make money by becoming builders, and history will repeat itself.

-- Interview by Dani Kando-Kaiser

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