



Homebuilder Breaks New BPM Ground with IDS Scheer

Process Excellence in Action: **Building a Strong Foundation**

“For Home Builders, success is contingent upon bringing land acquisition to cash faster than your competitors and beating them to new model introduction and consumer option trends. You can only do this by designing the most efficient business processes.”

Vice President of Construction

Organization

Residential construction
and development company

Industry

Homebuilding

Challenge

With a lack of process focus, the company experienced vague divisions of labor/authority, unclear decision chain, inappropriate cross-functionality, no cycle time management and a marginal ERP implementation.

The Solution

Establish process mapping of critical functions, reorganize divisions and realign procedures.

Solutions Deployed

ARIS Platform

Benefits

The client has achieved ERP implementation success and net income has increased from \$365,000 to \$4.4 million due to process efficiencies.

For nearly 40 years, IDS Scheer's client has been recognized as one of Florida's leaders in the residential construction and development industry. Today, the company remains as rooted in the same strong family values as it was at inception. By controlling both development and construction processes, IDS Scheer's client is able to deliver homes with maximum value while preserving many of the natural characteristics and charm of their communities.

The Business Challenge

The homebuilding market is highly fragmented, light on Supply Chain Management (SCM) usage, historically spends little on business process management (BPM) and typically runs on non-integrated business processes. These non-integrated processes include sales, purchasing and construction. Also, considering the fact that 75 percent of all new home sales will be controlled by the top 20 builders by 2011, the market is based on a "survival of the fittest" situation.

With that in mind, the need to streamline processes for builders outside the top 20 inner sanctum becomes paramount. The promise of Enterprise Resource Planning (ERP) solutions brought homebuilders to the brink of gaining more effective budgeting, purchasing and accounting; total information management; and compressed cycle times.

Unfortunately, homebuilders were missing one critical piece of the ERP puzzle — using this new solution to integrate business processes, which included:

- ▶ Understanding the current business processes — the "AS IS"
- ▶ Prioritization of focus by business benefits
- ▶ Better supply chain processes
- ▶ Best practices from other industries
- ▶ Integrated business processes
- ▶ Importance of cycle times

The company is rich in history and backed by an appealing product and a dynamic, motivated ownership, committed to continuous enhancement of its homes. However, in terms of streamlining business processes, IDS Scheer's client's BPM initiative was on shaky ground due to the following:

- ▶ Vague divisions of labor/authority
- ▶ Unclear decision chain
- ▶ Inappropriate cross-functionality
- ▶ No cycle time management
- ▶ Marginal ERP implementation

The company realized a need to reassess optimization of ERP through a process oriented approach to streamline its operations.

The Business Solution

The company selected IDS Scheer's ARIS Platform to help build a successful ERP implementation. This included the following:

- ▶ Process mapping of critical functions
 - ▶ Purchase order generation
 - ▶ Construction activity reporting
 - ▶ A/P processing
 - ▶ Production forecasting
- ▶ Reorganization
 - ▶ Decentralized authority
 - ▶ Support re-sizing
 - ▶ Preparing for new markets
- ▶ Realignment of procedures
 - ▶ Continuous improvement of plans and BOMs
 - ▶ Attack all cycle times

The Results

The client has experienced a significant improvement to its bottom line, as illustrated in the chart below.

Annual Statistics	2004	2005
Closings	29	116
Construction to Cash Cycle Times	200	170
GPM/Unit	12%	28%
Net Income	\$365K	\$4.4M

The company has measured its ERP implementation success based on an increased ability to bring land acquisition to cash faster than competitors and come to market faster with new model introductions and consumer option trends. This can only be accomplished by designing the most efficient business processes, configuring the ERP system, measuring effectiveness and continually improving.