

Moving Toward Integrated Software When Is IT the Right Time?

Panel:

Mike Penn – Penn Homes Is a small to medium size semi-custom home builder in Northwest Louisiana. They also do a certain amount of light commercial construction work.

William Robinson – Palmetto Traditional Homes Founded in 1997 Palmetto Traditional Homes grew from the smallest builder in South Carolina to the largest, eventually serving eight different cities and employing over 100 team members. The company was sold to a national homebuilder in January of 2004.

Jerome Gray – Comstock Homes Is a production builder that develops, builds, and markets single family homes, townhomes and condominiums.

Cory McFarlane – Cory McFarlane Homes (formerly Aspirant Development) is a 100% true custom homebuilder that builds and maintains custom homes and luxury vacation homes.

Moderator:

Jenny Evans – Project Resources is a Sage Timberline Office Certified Consultant with over 160 Sage & Builder MT implementations and 25 years in the Construction Industry.
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How many homes do you build, type and what software do you use?

Penn Homes builds 12 to 25 homes per year with an annual volume of approximately 6 million dollars. We currently are using Sage Master Builder Software.

Palmetto Traditional Homes closed 570 homes and had revenues of approximately \$90 million in 1993. We were running the IHMS software package by Mark Systems.

Comstock Homes will build approximately 100 homes for the year 2008. Prior to the change, we were using Microsoft Excel and Evolution as our CRM, Purchasing, and Accounting systems. We currently are using Builders Co-Pilot as our CRM and JD Edwards Enterprise One as our accounting and purchasing software.

Cory McFarlane Homes Currently, the company builds approximately 20 custom homes annually. With no true flexible solution that fit the need for our operation and with the desire to encompass the full lifecycle of the custom home building process, we choose to power our company with Sage Software and its Development Partners. Designed to meet the needs of our growing company, Sage Timberline Office Accounting, Sage Timberline Office Estimating, Sage CRM, Sage ABRA HR, Sage FAS, Builder MT, Meridian Prolog, BAS, AutoDesk and HomeFront offered us support for the entire home-building cycle.

What were the signs that told you that you needed to do something?

Penn Homes The signs that were becoming more and more evident that something needed to be changed was that we were having to create more spreadsheets to enter the data from multiple programs in order to give us the information required to properly operate the business. As the company grew, our antiquated system of dissimilar programs could not grow with us. I was having to hire more people to handle the volume of data that was being produced and we were not efficient at processing it into our homemade forms. What I found was that we were working overtime and on weekends to meet the demand put on the system in order to manage it and that we needed a system that would be scaleable no matter what size we grew to.

Palmetto Traditional Homes We knew we were in trouble when we discovered we did not have consistent information throughout our organization. At the time we had three paper files for each house, one in the sales office, one in the construction office and one in the closing coordinators office. We did an audit and discovered that there was not one instance when all three files matched 100%. We had to ask ourselves if we were comfortable relying on paper driven systems. The answer was obvious - No. We also had folks who had invented their own spreadsheets or databases that others could not access. These “inconsistent means of information” proved to me that we were on the way to becoming dysfunctional.

Comstock Homes The major sign that triggered a need for change was the lack of integration between the various arms of the company and lack of real time data. These two items along with the need to make accurate decisions in a timely way commenced the change.

Cory McFarlane Homes Looking at the lifecycle of our client and the internal workflow there were too many business units that did not have data integration. The mistakes that occurred in our departments increased by having disjointed information as we began to grow. With systems that did not communicate and information being recorded on a piece of paper and filed away in a file cabinet, it did not give us the information at our fingertips that we desired.

How did you go about doing your research?

Penn Homes I researched different products by talking to other companies that were using integrated systems. I read marketing material as it was mailed to us and did some online research on the internet. The primary way that I researched different products was through seminars and interviewing people at the different software booths at the International Builders Show over a two year time frame.

Palmetto Traditional Homes We were running an accounting / budgeting package from one vendor and a sales office / warranty package from another vendor. We were told the two applications would communicate seamlessly. In fact, they didn't like each other very much and rarely communicated effectively. Both vendors blamed the other and I could never get the pair to work like the salesmen said they would. The accounting application vendor kept begging me to hang in there, which I did right up until they went bankrupt. After learning the hard way I then developed the following criteria for my search for a new software vendor:

1. They had to have been in business at least 10 years.
2. They had to have at least 100 homebuilding clients.

3. The system had to be totally integrated Sales / Accounting / Budgeting / Scheduling / Warranty. (No more promises that different packages would be able to communicate.)
4. We had to have access to the data table structure and the ability to export the data easily into SQL Server.

Comstock Homes We began the search for a resolution to our problem with a multi prong approach. We had the sales team look for the software that would give the accurate handling of data from the customer's first visit to the close of a sale. The purchasing team looked for software that handled the purchasing and scheduling needs of their project. The accounting team did the same along with the production and service departments. Once the teams returned with their findings, we evaluated if the systems could communicate. We found that we would end up with one robust system for accounting and purchasing and a second system that would handle the sales, service and warranty, and production scheduling.

Cory McFarlane Homes Much of our research came from research software solutions at trade shows and extending the research to the Internet. In addition, many software developers either allowed us to demo products or would give us a one-hour demo.

What was the main influence in your purchase decision?

Penn Homes The main reason that I selected the software that I am currently using is that it met the price point that I was willing to pay and also produced the reporting that was needed to properly operate the business. I was not impressed by a very cheap product that was not fully integrated nor with the most expensive product that could accomplish more than I felt was needed.

Palmetto Traditional Homes The system had to meet my four criteria and have a significant portion of the cost on a per house basis. Amazingly, there was not a single software company at the 1999 Atlanta show that met my criteria. Eventually, IHMS contacted us and they ended up being a terrific partner.

Comstock Homes The main influence for our company was the real time communication and reporting capability. Next was price and ease of use for the user.

Cory McFarlane Homes The main influence for my purchasing decision was the flexibility and features. Because no two custom homebuilders operate the same we had to be able to have a solution that was flexible enough to allow us to extend the product, but features where we would not have to reinvent the wheel

What was the pain involved after the purchase?

Penn Homes The greatest pain involved was the uncertainty during transition period and getting everyone on board with the change over. Everyone wanted to do things with the old way of thinking and that was not the direction I was willing to go.

We also struggled with the cost of the new hardware that had to be purchased and that conversion.

Another hardship was trying to implement the software with just the help of online tutorials. This process caused us to set things up differently than if someone had been consulted. We found that not knowing where you are going until you get there almost always produced the wrong results. We then would have to go back and begin again using the knowledge we had

previously gained. One good thing that did come of it is that we were responsible for the entire setup and thoroughly learned the program in the process.

Palmetto Traditional Homes It was worth all the pain and effort. Changing IT systems is like a heart transplant. There is going to be some pain and a recovery period. We fundamentally changed the way almost everyone in the company did their jobs, but when we were finished we were in position to execute our very aggressive growth plans.

Comstock Homes The major pain was the conversion process. The conversion team worked endlessly to move all data from various sources over to the new software and to make the transition as smooth as possible. In the end we were pleased with the results.

Cory McFarlane Homes No Pain No Gain. With anything new there is a learning curve that has to take place and employees have to buy into the new system because the system is only as good as the data that is put into it.

What were the benefits after the purchase?

Penn Homes The primary benefits that we gained after the purchase is that each person on the team (Accounting, Estimating, Project Management) is now involved in making the information we generate from the software accurate. We realized that we had to create a system to make certain that each one of the team members is doing his job, inputting information on a timely basis, so that the results were giving us the information which is needed to properly operate the company from each team members viewpoint.

Palmetto Traditional Homes There were four main benefits we established after the purchase of our new software. Every team member and subcontractor had the information they needed at their fingertips to excel in their jobs. We estimated our profits increased over \$1,000 per house. Our last year we delivered over 500 homes. That's big money. We were able to develop a web based management reporting system that allowed us to see in real time where we stood against our goals and objectives. When our company was acquired, having the ability to quickly query the data in a variety of ways made it much easier to perform our side of the due diligence. Believe me, when someone buys you, they require a lot of information prior to writing the check.

Comstock Homes The major benefit for us was the ability to monitor all aspects of the business from the corporate office. We can now see land deals as they move through the system, track customer traffic, monitor purchasing cost on a daily basis, and react sooner to problems as they arise. In summary, making the conversion was the best decision we had made to meet our commitment to obtain seamless process.

Cory McFarlane Homes The benefits of the solution; a complete end-to-end integration improves the flow of data, increasing efficiencies throughout our organization. We can realize the benefits of shared information, which helps us, make better strategic decisions, shorten building cycles, and reduce operating costs.

What would you do different?

Penn Homes I would definitely hire an advisor to help with the initial implementation of the software. This would have saved a lot of time rebuilding the data we had input in to the various modules of the software. I would recommend that all of the input be done by those operating the system which should prove to shorten the operating learning curve.

Palmetto Traditional Homes Not only would I have made the switch earlier, but I would have had more of our team travel to other builders who were using the new system and spend time with their counterparts so they could see and feel it work. I would have examined all of our core processes and adjusted them so each aspect of the business would be able to immediately benefit from the switch. I would have included our subcontractors in the conversion to make sure they let us know how they could benefit from the new system. I would have determined where we would need custom reporting and have a plan for that out of the gate. I would have made sure we were ready to institute a totally PO driven system the day after the conversion. Doing your homework before the switch is key in a seamless conversion.

Comstock Homes We would have taken a few more months to convert that data instead of an 8 month cycle; we would make the change over a one year period. Thus, eliminating the secondary systems once we went live and not allowing them to remain available forcing an immediate change over to the new system.

Cory McFarlane Homes If we had to do anything different it would have been to demo more software before we purchased. We went through a few different solutions before I settled on the one I have now.

Suggestions & Tips for The Software Implementation:

- 1) Set realistic goals: If purchasing multiple disciplines such as Accounting, Project Management, Estimating & Scheduling, split these into separate phases and set realistic go-live dates for each phase instead of trying to bring on all at once. Understand that this project can be of considerable size. Implementation Costs can run on average 80% to 120% of the purchase price of the software. The more time your employees can devote to the project, the less spent on consulting costs, thus reducing total cost. Get the most value from consulting by using his/her expertise in crucial areas such as on the front end during discovery, setup, and system planning? Plan to have your staff work on tasks such as conversion, data entry, beginning balances and reconciling between systems.
- 2) Assign a "Team Leader" aka (project manager) to manage the entire implementation (all phases). Put together an Implementation Team of 4 or 5 and assign responsibilities and due dates, and hold meetings. Have at least one large meeting and pull everyone in (don't forget your CPA); this will help sell the implementation to the employees so there is less resistance, more patience and more buy in general. Create a group in Outlook to broadcast communications to keep the main group updated. Understand that everyone will be expected to do their normal job plus these extra tasks (training, keying in data, reconciling, etc).
- 3) Is everyone on board? Once you make a decision, make sure they know they know your commitment as the Owner. How do you know? You have to monitor and ask yourself. Is the staff making excuses or putting things off because they don't have time. If so then the consultant ends up "Baby Sitting" or "Hand Holding", that will get expensive but will be necessary to make the go live date. Don't let them focus on the 1% the new software can't do but instead focus on what it can do. Sometimes it like herding cats!
- 4) Understand that most companies will have at least one weak person on their staff. Not always but if so then it will come out during this process. This can put the Consultant/Advisor and Team leader in a very difficult position. Your conversion will only be as successful as your weakest link. Moreover, you may not identify that person until the train has left the station.
- 5) Work with your consultant to create a realistic schedule. Allow plenty of time. Have each team member, project managers, accounting staff, IT and others involved in the project mark their calendars through the expected project end date with days they will be off, days the office will be closed, and any other days they can't work.
- 6) If you hire temporary help, consider having them work on the old system while your staff learns and works on the new one.
- 7) If implementing a new purchasing system then hold a meeting or do a mailing to explain what will be required and what will be the benefits to the Subcontractors and Suppliers. Consider how you will handle the open P.O.'s and Subcontracts that will be in progress.
- 8) Always have the new Software Vendor understand and sign off on your most critical reports; we call these the "must haves". Understanding these critical reports can drive the setup decisions and save time in the long run.
- 9) Have your IT staff read the software and hardware requirements and system install guide before purchasing. Know what computers will need to be upgraded or replaced before installing. This can often lead to the location of old dinosaurs.
- 10) What really needs to be converted? If you are not losing the old system do you really need those old paid AP and AR invoices? Will you still have access to the old system? Master file information, and Job Cost and General Ledger history are normally easy and cost effective. There are some benefits to letting the employee key in the beginning balances (Open invoices, Job Cost, Trial Balance, etc) as part of their training it lets the operator get to know the system.