



Case Study: Process Change Yields Big Payback

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Abstract:

A construction company seeking to control costs turns to process improvement to boost productivity and avoid staff increases.

Problem:

A residential builder had a large increase in production over the last several years. His settlements coordinator was beginning to get overwhelmed and the general feeling was that any additional increases in production would require expanding the settlement coordinator function. The nature of the job would require at least another full time person; however, it may be one to three years before production levels would fully occupy the additional staff.

Current Process:

The project began by looking at what processes were ongoing. The builder was basically generating the paperwork required for closing the same way since the company started – however, production was over triple what it was. The gut reaction of the builder was to hire more people. Reviewing the process found that the same information was entered and tracked in several locations. All documents and correspondence were being generated by hand with form letters, and required information was stored in several different places. The various functions (production, accounting, sales) all required information maintained by the settlements coordinator, and currently all this information was compiled by hand and sent to the different areas.

Solution:

The chosen solution was to consolidate all the common data in one location, in this case a simple Microsoft Access database. Information was collected from all the electronic spreadsheets they had been using and was compiled into one set of data. Compiling the data found that many of the spreadsheets had incorrect data on them. If the same information is kept in more than one location, chances are at least one set is incorrect. All the data relating to each lot in production was compiled and updated. Historical data was also loaded into the system for reference and spot checked. After the data was consolidated, it only had to be updated in one location. All reports were then generated off that data. Reports were now available anytime (on demand) instead of once a week and contained real time data. Next form letters were set up to merge the required data from the database into the documents required for closings. Additional information was added to the database to capture status, track deposits, and track utilities. In addition, dates were added to track progress and generate status reports.



In addition, an exception report was developed. For the exception report, all areas of the settlement coordinator were examined and criteria established for data that was “outside” the normal. For example, if a second deposit was due from the purchaser on January 15 and now on February first no deposit has been recorded, this would be outside the normal. The exception report would list these abnormalities, ignoring any information that was within parameters. Now, rather than scanning a 30 page report looking for items to follow up on, a concise report listed only those items that needed following up. And this information was available in real time.

Results:

No additional employees were required to accomplish the workload of increased production. There was a great deal of stress removed from the settlements coordinator position since all the required information was available at their fingertips and could be easily updated as required. Reports that used to take three days to generate by hand could now be generated in under 15 minutes and anytime they were required as opposed to once a week. Letters and forms were now filled in from the database using the report function reducing errors and time required for generation. This position could now handle anticipated production growth for the next two to five years.

ROI/Payback Period:

Annual savings generated from this portion of the project were in excess of 6 times the project cost with a payback period of less than three months.

Additional Benefits:

Additional and unexpected savings were generated in other departments as a result of the increased efficiencies in the settlement coordinator’s office. The sales managers now received the exception report informing them what issues they needed to follow up on. With real time information available, sales commission reports based on the actual settlement dates could be generated automatically rather than by hand. A new report was developed for the production department that allowed them to receive rebates and volume discounts from suppliers that had previously been left on the table due to the effort required to gather the information. And finally, the warranty service department developed a database that used the information gathered by the settlements database to track warranty issues.