

1997 AMERICA'S BEST BUILDERS

& The Lee Evans Award for Business Management Excellence

BY GERRY DONOHUE AND RICK SCHWOLSKY

Builders wanting to improve their operations need look no further. In the pages that follow you'll meet the best and brightest in the business. These seven award-winning builders are very different from one another in size and scope, yet they have a lot in common—especially the way they constantly look for ways to improve the bottom line without sacrificing quality or customer satisfaction. ■ Learn how they train their staffs, value-engineer their houses, and buy their land. ■ Learn how they network with other builders, obtain capital, and develop systems. ■ Learn how they target markets, develop strategic plans, and partner with their subs. Read closely. And you'll take away some ideas that will work in your company.

GOLD AWARD
101-500 UNITS

ROUSE/ CHAMBERLIN HOMES

**In building affordable neighborhoods, Rouse/
Chamberlin Homes has established an enviable local
reputation and a firm financial foundation.**

Having just bought a new Rouse/Chamberlin house, Sarah Peck is a “raving fan” of the Exton, Pa.-based developer and home builder. She points to the 3-inch-thick homeowner’s manual that contains warranty and homeowner maintenance information. She recalls the “kitchen” meeting with the superintendent about one week after move in, at which he went over the home’s operating systems and responded to any questions, concerns, or problems she or her husband had. And she talks about walking through the neighborhood in the early evening with her two kids, greeting neighbors and trading information about doctors and schools. Based on her experience, Peck would definitely refer her friends to the company. Good thing, too, because in addition to being a Rouse/Chamberlin homeowner, she’s the CEO.

“We just closed on our home three weeks ago,” says Peck, “and I was so impressed with what we do. We really do take care of the customer. And in this case, I was the beneficiary.”

Cynics may say that Peck got the red-carpet treatment, but she says she got the same service all Rouse/Chamberlin home buyers get, because it’s part of the system and the culture. Although this company builds primarily for first-time and first-time move-up buyers, it doesn’t resemble its entry-market peers. It’s a financially conservative, equity-rich company that develops affordable communities on the fringe—and sometimes in the middle—of one of the nation’s most high-priced housing markets. The company focuses on building communities that immediately become neighborhoods, with all the benefits that suggests. And Peck and others spend a great deal of energy building a company culture that promotes teamwork and training almost obsessively. One recent seminar, for instance, focused on improving grammar; every employee attended.

“We have established a sense of community with both our home ►

buyers and with our employees," says Peck. "We have something special here."

Local Reputation

At first glance, building affordable neighborhoods in the affluent townships west of Philadelphia may seem like skipping dinner at the governor's mansion to eat at McDonald's. Sure, you can do it, but why would you want to?

Look again, says Peck. "There is a tremendous amount of competition and low demand above \$200,000," she says. "In the lower price ranges, where we primarily build, there's very little competition and demand is deep."

Builders in this market stay away from the lower end because most of the townships have large-lot zoning and limited utilities. Most builders, says Peck, don't have the appetite to follow the "complex and Byzantine" approvals process. In this market, getting approvals in two years is fast track; not getting them at all isn't too unusual.

"We've been building in this market for more

than 15 years," says Peck, who was a project manager at Toll Brothers before coming to Rouse/Chamberlin as CEO 10 years ago. "We have established a local reputation for doing what we say we'll do and developing good, successful communities. We understand the local approvals, and we're willing to put in the time and energy."

Rouse/Chamberlin's reputation stretches to landowners—and even to estate lawyers—who contact the company before they put a parcel on the market. The company's past successes inspire these sellers to option the land to Rouse/Chamberlin until they get approvals or to enter into a joint venture with the company.

In going for approvals, Rouse/Chamberlin starts with the neighbors. "You don't just go to the township and say 'we want to rezone the property to small lots,'" she says. "We get to know each of the neighbors personally and to understand their concerns. When we finally go before the township, we already have the neighbors on our side."

With houses priced primarily between \$140,000 and the low \$200s, Rouse/Chamberlin sells about four houses a month in both its first-time and first-time move-up communities.

100-Year Party

Rouse/Chamberlin's motto is "Bringing Neighborhoods To Life." A photo collage on the wall of both the models and the central office features several young, fresh-looking families, community scenes, and letters expressing happiness about living in a Rouse/Chamberlin community; by the receptionist's desk is a bronze statue of a boy playing with his dog.

"We're committed to building true communities," says Peck. "We spend a lot of time in the development process to create a sense of community. We put in gathering places, make sure there are sidewalks and curving roads. We try to pull the houses closer to the street because it fosters spontaneous interaction among neighbors. We put in a lot of front porches."

At Thornridge (75 houses priced from \$140,000 to \$160,000), Rouse/Chamberlin was even able to get approvals for narrower roads. "Zoning officials talk about the 100-year flood; we talked about the 100-year party. What if someone had the party of the century in the neighborhood and the cars were parked everywhere? We showed that a fire truck could still come in. We even measured the fire truck."

Rouse/Chamberlin also focuses on the "social bonds" in its communities. "We ▶



Go, team: CEO Sarah Peck (center) and the Rouse/Chamberlin management team (L to R) Carlyle Holling, Jerrold McCarron, Roland D'Alterio, Howard Hirsch, David England, and Gloria Sossae serve Philadelphia entry-level buyers with houses like the Woodbine Select, which has 2,175 square feet and sells for \$165,900.

hold a founders' breakfast so all the original buyers can meet each other. We hold summer barbecues, Halloween parades, Christmas parties. We even hold how-to seminars, such as having our landscaper come in and talk about lawn care."

And living in a Rouse/Chamberlin community, Peck enjoys the benefits of these efforts. "It's so rewarding to walk through the neighborhood and have buyers gush about us," she says. "These people are raving fans. What better kind of experience can you get?"

Benchmarking

Rouse/Chamberlin's training schedule is as crowded as the President's appointment calendar. In any given month, the company holds at least five training programs on topics like sales, computer use, and time management. The company encourages employees to sign up for outside classes and seminars as well. "A learning organization," says Peck, "is a more productive one."

One current priority is building alliances between the sales and construction teams. "Narrowing the gap between these two groups is one of our biggest challenges and one of the best opportunities for improvement," says Peck. So, once every other month, salespeople attend a training session on the construction of a house. And once each month, they tour a house under construction and a competitor's house with one of the construction people. Construction staff spend one afternoon each quarter in the sales office.

Peck does her own training with a group of other builders from around the country. This "Benchmark" group of 11 builders meets twice a year to share numbers, problems, solutions, and experiences.



Community spirits: Rouse/Chamberlin brings its neighborhoods to life through a series of events and programs, including an annual Halloween parade.

"I would highly recommend it to other builders," says Peck. "It's such a tremendous learning experience." Now, others in these 11 companies are participating too. In recent months, both the purchasing managers and the construction managers have met.

Rouse/Chamberlin extends the learning to its subcontractors. The company formed the Trade Contractor Advisory Council, which consists of eight owners of contracting firms that have a history with Rouse/Chamberlin.

"Rouse/Chamberlin is always looking at how to build a better product at a lower cost," says Joe Spagnuola, president of Wesley G. Wood, Inc., Rouse/Chamberlin's primary HVAC contractor. "We meet to find ways to improve the quality and communication on the jobs, reduce redundancies, and work better among ourselves."

Patient Money

All the training and neighborhood development are investments Rouse/Chamberlin is making in itself and its future. It's not a quarterly profits, scoop-the-money-out-of-the-till type of firm. Peck shows a real reverence for the company's legacy.

"We have very patient owners who allow the earnings to stay in the company," she says. "That allows us to weather the marketplace fluctuations and even to build using our own equity if necessary."

Rouse/Chamberlin is privately held and won't release most of its numbers, but one key ratio makes the point. At the end of 1995, the company's debt-to-equity ratio was .66, which is exceptionally low for a private company that develops and builds its own communities. The average home builder debt/equity ratio nationwide at the end of 1995 was close to 4.0.

"We have a very conservative growth strategy," says Peck. "With our current organization, we could easily do 20 to 30 percent more volume, but we don't feel it's necessary to dial up the risk meter just for the sake of growth. We would rather remain at our current levels and keep on improving."—G.D.

ROUSE/CHAMBERLIN HOMES

EXTON, PA.

NUMBER OF EMPLOYEES: 33

1996 CLOSINGS: 80 (est.)

1996 REVENUES: \$22.5 million (est.)

PRESIDENT/CEO: Sarah Peck

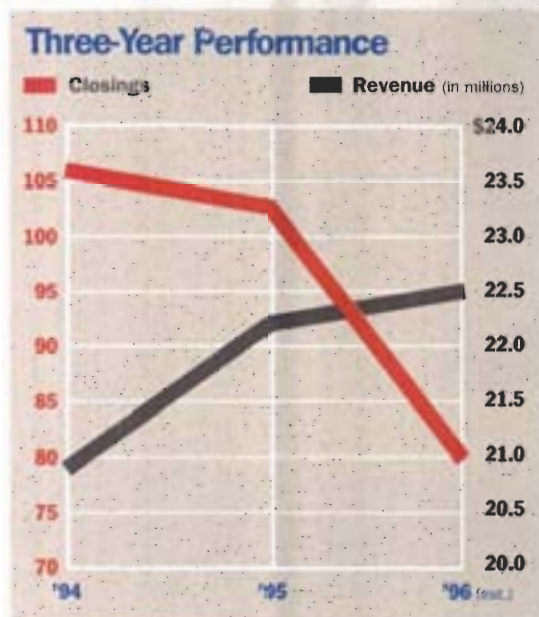
Hobbies: Theater, reading, piano, politics, travel

Husband: Daniel Wofford

Children: Benjamin, Andrew

Home: Just moved into a new Rouse/Chamberlin home

Last book read: *The Road Ahead*, by Bill Gates



FOR MORE INFORMATION

For a direct link to Rouse/Chamberlin's Web site, see BUILDER Online at <http://www.builderonline.com>



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