



QUALITY AWARDS

Building Customer Satisfaction With Quality

by **William L. Sickel**

In 1976, Floyd Grayson embarked on a venture that would change the lives of thousands of people. He began Grayson Homes, an owner managed homebuilding company in Ellicott City, MD.

At that time, a strategy of “build quality homes” was sufficient to be successful. But times have

changed. Land scarcity during the past decade combined with a flood of builders into the marketplace has forced the company to refocus. We began to realize trying to be all things to all people was not much of a strategy. Differentiating Grayson was paramount to our success. This realization was the catalyst in the reorganization of Grayson Homes.

Building a New Strategy

Grayson Homes’ first effort to define a new strategy occurred in early 1999. The strategic focus was to foster a team company culture of mutual respect rather than the previous family company culture. The major difference is that in a true team culture, we hold each other accountable for operational performance. In addition, the primary focus of Grayson’s mission is to provide all customers—internal and external—with experiences that exceed expectations. Our focused mission and values empower us to recruit and retain the right people for our team.

In March 2002, we held a strategic planning session with TrueNorth Development, an outside consultant. Nineteen employees participated for three full days and two evenings. We drafted a new strategy and action plans for operational improvement

In 50 Words Or Less

- To stay competitive, Grayson Homes changed its focus to promote a team culture and the value of customer, supplier and employee satisfaction.
- Grayson established customer satisfaction and profit enhancement as its key success drivers.
- In September, Grayson was awarded the 2005 National Housing Quality Gold Award.

Supplier Survey

The supplier survey¹ is made up of two parts. The first part contains six categories with 45 statements. Suppliers rate each statement on a Likert style scale: completely disagree, disagree, somewhat disagree, don't know/does not apply, somewhat agree, agree and completely agree. Here are some sample statements:

Organization

- Schedules jobs effectively.
- Does not cause unnecessary trips to the building site.

Systems and support

- Issues few chargebacks.
- Has employees who are open and receptive to suggestions and new ideas.

Feedback

- Provides suppliers and trades with regular feedback about how we are doing.
- Solicits our feedback about other suppliers and trades.

Goals

- Clearly shares its business goals with suppliers and trades.
- Demonstrates continual improvement as a top company goal.
- Demonstrates customer satisfaction as a top company goal.

Values

- Operates daily by a strong set of values, principles and basic beliefs.
- Always treats supplier and trade employees with dignity and respect.

Rewards

- Rewards us for doing high quality work—not just quantity.
- Always pays fairly for completed work.
- Is a builder I would highly recommend to a friend looking for a home.

The second part has two simple short answer questions:

1. What three things does this homebuilder do really well?
2. What three things does this homebuilder most need to change or improve?

REFERENCE

1. Excerpted from TrueNorth Development's "TradeCOMM Survey."



and formed teams to focus on the identified areas of improvement.

We chose a strategy with a business model approach focused on providing home buyers with the highest total quality customer experience and extending our high level company culture to customers and trade contractors. Our goal is to bring buyers and trade contractors along for the journey, so they can feel and live the culture with us.

Today, Grayson has delivered homes to nearly 3,000 families while winning awards and a 96% customer satisfaction rating along the way. We're proud to say the company's growth occurred without compromising quality customer experience or high standards of business practice—two values linked to our success. These values are reflected in what Grayson established as its two key success drivers (KSDs)—customer satisfaction and profit enhancement.

Ensuring the Quality Of Quality Assurance

Implementing a quality assurance program was an important first step in achieving and maintaining high KSD levels. But holding the program up to the scrutiny of industry standards was critical in measuring its bottom-line results. This need motivated us to participate in the National Housing Quality (NHQ) awards. Patterned after the Malcolm Baldrige National Quality Award, the NHQ awards were established by the National Assn. of Home Builders Research Center (NAHBRC). Award entries are judged by a panel of experts that evaluates the role customer focused quality plays in construction, business management, sales, design and warranty service.

NAHBRC audited our business practices, and its feedback led to a companywide initiative to evaluate and document all significant policies and procedures. It required comprehensive documentation of our quality assurance program and the use of technology whenever possible to enhance the efficiency and reliability of communication. And the efforts weren't limited to practices within Grayson. Several of our trade contractors, in the interest of staying competitive, participated in the NHQ certified trade contractor program.

"Our participation in NHQ programs keeps our company and its trades focused on product, pro-

cess and experience improvement," Cynthia McAuliffe, president of Grayson Homes, said.

By combining technology with time efficiency, Grayson improved the results of its presettlement homeowner orientations. Not only did we maintain our 2002 record for 98% zero known defects at closing, we also achieved improvement in the accuracy and responsiveness in our inspection process. Hand-held personal digital assistants now keep the Grayson team in tighter communication control, allowing team members to document defects from the field for swift and accurate reporting and resolution.

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The survey we send to our suppliers and trade partners is particularly interesting, as many of them are initially shocked when they receive it (see "Supplier Survey"). Most builders don't ask for direct, candid and anonymous feedback. Just the fact that Grayson does this has an initial positive impact. The survey sets an expectation something meaningful will be done with the information, and suppliers and partners value that.

Quality Customer Relations

The Grayson sales and production teams trained together for 24 hours in 2003 to improve customer communication, and Grayson eventually established a total customer satisfaction action team made up of interdepartmental representatives. The team meets at least once monthly to develop new ways to enhance the customer buying experience. Further, we conduct qualitative customer satisfaction measurement at four strategic points during the purchasing process—after the buyer's consultation in the Grayson Homes design center, at settlement, and at the 30- and 90-day post-closing dates.

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FIGURE 1 KSD Flash Report

Grayson Homes' Key Success Drivers

Customer satisfaction

Buyer expectations:

- Homebuyer satisfaction.
- 30-day survey.

Product quality:

- PDQ scores.
- Percentage of lists signed off at settlement.
- Average number of homeowner orientation items.

Quality of service:

- 90-day survey
- Percentage of post-settlement orientation list signoff on scheduled day.

Employee satisfaction:

- Would recommend Grayson as a good place to work.

Trade partner satisfaction:

- Would recommend Grayson to a friend who is looking for a home.

Profit enhancement

Financial measures:

- Return on average equity
- Net profit before taxes as a percentage of sales.
- Direct construction costs as a percentage of sales.

Settlement:

- Settlements (budget vs. actual), variability.

Sales efficiency:

- Sales (budget vs. actual), variability.
- Conversion rate (number of sales/number of traffic).

Target	Current month	Year to date	12 months trailing

We post survey results in the company conference room and e-mail them monthly to all employees in a flash report that summarizes the last 30 days and year to date. The flash report comprises 15 key performance metrics that relate to Grayson's KSDs—customer satisfaction and profit enhancement (see Figure 1).

Customer satisfaction ratings are part of our customer satisfaction bonus program, which is an employee incentive program directly linked to customer satisfaction levels. Every six months, if the settlement survey averages a 95% customer satisfaction level or better, all employees receive bonuses. Based on 95% customer satisfaction levels of the 30-day post-closing survey, an additional incentive is earned as well. This goal clearly links the responsibility for quality to everyone in the company—not just production supervisors and sales personnel.

The use of data is important in any quality program, and Grayson applies its survey results toward achieving its KSDs at every opportunity. TrueNorth conducts biannual supplier and trade partner surveys. These surveys, customer surveys and benchmarking all contribute to organizational change, improved systems or validation of existing systems and processes.

Go for the Gold

In September 2004, Grayson Homes received the 2005 NHQ Gold Award. After earning a silver last year and an honorable mention the year before, Grayson has now achieved the highest recognition by the housing industry for quality.

At the time of the award's presentation, NAHBRC president Michael Luzier said, "We are proud to recognize Grayson Homes for its NHQ Gold Award



Employee Survey

The first part of Grayson's employee survey¹ consists of 50 statements in six categories. Employees rate each statement on a Likert style scale: completely disagree, disagree, somewhat disagree, don't know/does not apply, somewhat agree, agree and completely agree. Here are the six categories and some sample statements for each one:

Mission and commitment

- Most employees can describe the mission of this company.
- Our day-to-day work clearly supports the mission.

Values

- There is an enduring set of values, principles and basic beliefs this company and its people stand for.

Goals

- Continual improvement is a clear goal of this company.
- Customer satisfaction is a clear goal of this company.

Feedback

- We get regular feedback from management on how we're doing.
- We get regular feedback from customers on how we're doing.

Rewards

- I get paid fairly for the work I do.
- We are quicker to hear about it when we do well than when we screw up.

Systems and support

- We need more training on the technical aspects of our jobs.
- If I need help I am not afraid to ask for it.

The second part of the employee survey is six short answer questions.

1. Briefly describe the mission of this company—what are we here to accomplish?
2. List the values, principles or basic beliefs this company stands for.
3. What three things does this builder do well?
4. What three things do we need to change or improve to make this a better company?
5. The single most important thing this company could do to improve this builder would be to
6. Agree or disagree with statement: "The members of the management team here are fully committed to achieving the highest levels of performance." Please fully explain your answer.

REFERENCE

1. Excerpted from TrueNorth Development's "Organizational and Quality Climate Survey."

win—and for its rapid progression from 2003 NHQ Award Honorable Mention to the 2005 Gold Award. The company has displayed an exceptional dedication to quality assurance and customer satisfaction throughout its business practices.”

Further, Grayson Homes became one of the first two homebuilders in the nation to achieve the NHQ certified builder designation. The certified builder program provides a rigorous and complete review of business practices and ensures all elements of the company’s quality assurance system provide customer satisfaction.

McAuliffe spoke highly of the NHQ certification: “Achieving and maintaining our status as an NHQ certified builder will ingrain consistency and predictability into all facets of our home building business. It will be a demonstration of our quality commitment to our buyers, trades and employees that aligns our performance with our mission and provides a valuable third-party testimonial to our quality.”

Measuring Return on Investment

Developing, implementing and measuring an effective quality assurance program definitely take a significant investment of a company’s time, money and key people. Grayson Homes’ journey to win an NHQ award and the certified builder designation was a long and all-consuming path. It was also extremely worthwhile and fulfilling. This return on investment is evidenced in the evaluation of the business results stemming from maintaining high levels of our KSDs. Our results showed the following companywide improvements:

Financial: Gross operating profits increased 55% in three years. Over this same period, net profits, as a percentage of sales, increased 9%. The financial improvements put us at the high end of the production efficiency range according to the International Home Builders Management Institute’s comparative financial analysis publication.

Customer satisfaction: Ninety-six percent of our customers say they would either refer Grayson to a friend or choose Grayson again when buying another home.

Employee satisfaction: To date, more than 30 companies have participated in TrueNorth’s

“Organizational and Quality Climate Survey” (see “Employee Survey”). Grayson Homes has earned the highest score ever recorded. In addition, our annual internal survey for the past two years states 100% of Grayson Homes’ employees “would recommend Grayson Homes as a place to work.”

Supplier/trade satisfaction: To date, more than 35 companies have participated in TrueNorth’s supplier/trade satisfaction survey. Grayson Homes has twice received the highest score ever recorded. This translates directly into quality improvement and enhanced profits.

Product quality: During the last quarter of 2001, more than 90% of our customers went to settlement with no known defects remaining. In 2002, after our quality initiative, 98% of our homes went to settlement with zero known defects.

Can good quality really bring profit enhancement? Studies by the National Institute of Standards and Technology and the U.S. General Accounting Office found companies adopting quality management practices experienced an overall improvement in employee relations, higher productivity, greater customer satisfaction, increased market share and improved profitability.¹ Grayson Homes couldn’t agree more.

WILLIAM L. SICKEL is the sales and marketing manager for Grayson Homes in Ellicott City, MD. He has a bachelor of science in zoology from the University of Maryland in College Park.

REFERENCE

1. Jan Kosko, “Quality Management Proves To Be a Sound Investment, Says NIST,” NIST press release, February 1995.

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