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Tech Talk: Managing Selections and Change Orders

By Bill Allen

(This is the sixth article in the nine-part Tech Talk series) Technology can help you stay on top of the umpteen variables associated with managing selections and change orders. However, as I stress throughout the Tech Talk series, good systems come first.

Before you even think about automating your selections and change order processes, you need to do two things:

- Determine how to price, package, and present product choices and upgrades.
- Get your change order management system down on paper.

Both of these processes depend on your employees agreeing on what will be provided and presenting the same message to the client. We've all heard about sales people promising the moon to customers while knowing full well what the folks on the production side can and can't provide. Don't let that happen in your company.

Automated systems go a great distance in standardizing the presentation. However, the computerized controls between the customer, the design center, and the sales, contract administration, and construction management departments must talk to each other.

Process Details

It's a good idea to develop communication plans that go hand-in-hand with your processes for managing selections and change orders. Even better, build them right into your systems. Consider the following steps involved in processing a change order. A lot of people must be kept in the loop:

1. The customer requests a change (or requests it through the sales manager).
2. The request is forwarded to the estimator.
3. The estimator calls for clarification, if necessary, and prices the request.
4. The quote is forwarded to the customer.
5. The customer signs the quote and it becomes a change order.
6. The project manager determines whether or not the change will impact the construction schedule and adjusts the schedule accordingly.
7. The contract administration department collects money from the customer for the change.

8. The change order is approved by the builder and is re-submitted to the estimating/purchasing department for a detailed take-off and material procurement.
9. Field personnel are notified of the change.
10. Additional purchase and work orders (if necessary) are written and sent to suppliers, trades, and other parties.
11. Additional work is performed on the house.

When you calculate your markup, make sure you factor in the overhead costs for each step in your process. In Step 7, for example, I recommend collecting a non-refundable deposit for the change if you don't collect the full amount. If the customer decides not to swap sliders for casement windows after all, you won't throw away the money you've paid your estimator and project manager to do prep work on the request.

A good change order system affects cycle time, construction quality, customer service, and your bottom line in a positive manner. If yours compromises any of these areas, you need to re-examine your system.

Technology Options

Some software packages have the ability to integrate all the contract-to-closing processes—including selections and change orders. However, many rely on proprietary databases. A good solution for many builders is to add private portals to their company Web sites that allow customers to make selections, request changes, and ask questions online.

Post product catalogs your company has developed, or link to manufacturers' catalogs your supplier offers. Create selection sheets and change order request forms in Microsoft Word and make them interactive by saving them as .pdf documents clients can access on your Web site. Be sure completed forms don't go directly to your trades or suppliers or to their manufacturers. Maintain control of your processes by staying on top of what customers want.

Once you've looked over their product selections or change order requests, you can post them on a portion of your Web site only suppliers and trades can access. Be sure to notify them that the information is there so they'll know what materials you need to order and what work needs to be done, and can give you prices.

You might also want to post an interactive calendar up there, too. You can show when the client signed off on the formal change order, and have your supplier indicate when the materials will be delivered so trades know when they're expected to start work. (We'll discuss scheduling in detail in the next Tech Talk article.)

Whether you automate your processes or not, make sure you respond to input from all team members—especially customers—as soon as possible. Communication really is a two-way street.

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