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## How to be a Firm of Endearment

And no one is more endearing than this builder...

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The term Firms of Endearment<sup>1</sup> refers to a group of the nation's most successful companies who have earned a great competitive advantage in their product categories. These are companies that people love doing business with because of their passion and purpose. As good examples, think of Costco, Whole Foods, Starbucks,

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<sup>1</sup> *"Firms of Endearment: How World-Class Companies Profit from Passion and Purpose,"* Raj Sisodia, Jag Sheth, and David Wolfe, Pearson Education, 2014

Southwest, Google, and Caterpillar. You can probably guess many of the other industry leaders that are also on the list. Based on the chart below, becoming a 'Firm of Endearment' is a killer business strategy that delivers huge returns to investors. Who knew?

So how does this work for builders? I would safely suggest it begins by moving away from a dominant business focus on being the lowest first cost builder. This is a business strategy that does not endear homebuyers. I've owned three homes in my lifetime, each built by a production builder. They say builders fulfill dreams. Somehow, each of these builders thought I dreamed about the cheapest home possible leaving me to replace builder-grade cabinets, hardware, trim, lighting, appliances, fixtures, HVAC, insulation, and fans long before their lifetime. I'm trying to remember when we transitioned from 'craftsman' builders to 'builder-grade' becoming synonymous with 'cheap.'

Okay I get it. There is tremendous pressure on builders to deliver an affordable product and a transaction process that constrains how much each buyer can borrow. In *Retooling the U.S. Housing Industry Executive Workshops*, one of the most significant business concepts we explore is how to substantially improve the fit, finish, and quality of homes with the savings possible from right-sizing and reduced waste. Here's the key. Once you start on this product-driven business strategy, you quickly find yourself becoming defined by your passion and purpose rather than just getting a sale. And I know many excellent builders of all sizes well on this path. But incremental passion and purpose just won't get it done. Firms of endearment type success demands a business culture completely dedicated to the product that is effectively conveyed by every single employee and trade partner.

As an example, meet one of my all-time favorite builders, AndersonSargent Custom Homes based in Dallas, Texas. I've been good friends with Jim Sargent since I first began my tenure as National Director for ENERGY STAR Certified Homes over 20 years ago (see picture below). I immediately became a huge fan of Jim because he was a builder who was totally dedicated to delivering the best possible home for his clients. This includes a balanced focus on design, performance and quality. I can tell every single one of his clients loves his endless passion for delivering a great home experience. That's a personal brand commitment that's just not negotiable for Jim. I don't have access to his financial books, but I would bet that profits are just a natural outcome of being a *Builder of Endearment*. I think it would be a near impossible task to find a builder more loved by his clients.



Period of Time	Purpose Driven Companies ROI (Firms of Endearment)
Over 3 Years	73%
Over 5 Years	128%
Over 10 Years	1,026%

*This article is part of a series on housing innovation based on the author's book, 'Retooling the U.S. Housing Industry: How It Got Here, Why It's Broken, and How to Fix It.' This book examines opportunities to transform the homebuyer experience relative to five key components: 1) Sustainable Development, 2) Good Design, 3) HighPerformance, 4) Quality Construction, and 5) Effective Sales. Each article features one innovation or business principle covered in workshops with builder executives. Find out how to participate in one of these workshops at [www.SamRashkin.com](http://www.SamRashkin.com).*