

eBook

# WHAT IS LEAN CONSTRUCTION?

 BUILDXACT

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# Lean construction offers powerful ways to reduce wasted time and money

Custom home builders in major markets across the globe face a far different market than in 2021. As rising mortgage interest rates price even more potential buyers out of the market for custom homes, builders see less demand for new home construction. As a result, the current state of the construction industry has builders concerned for the future health of their business and looking to newer methods such as lean construction.



The way forward is rethinking how home builds are managed. With decreasing volume and sentiment, home builders need to ensure each home project they undertake earns a fair profit. Fortunately, builders can learn from the experience of other industries that have battled the same concern for efficient project management.

You can achieve sustainable profitability when excess costs and inefficient activity are wrung out of your business.

In other industries, project managers have successfully done this using lean philosophy. Construction companies and custom home builders have adapted this into lean construction practices.



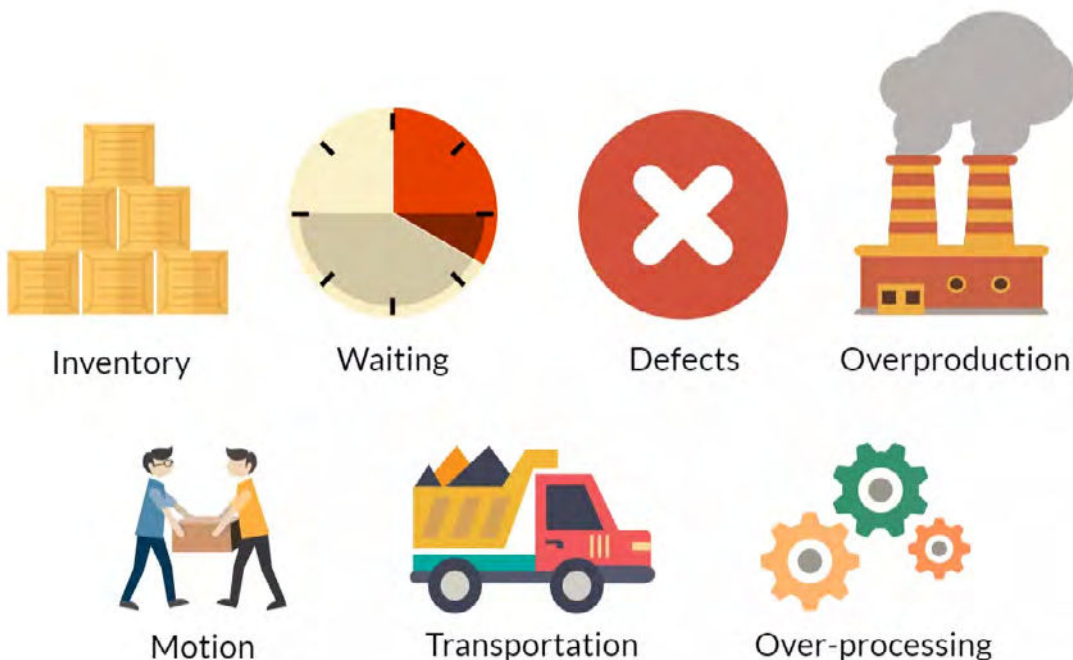
# 1

## Adopting lean construction practices in custom home construction

Lean management, more traditionally applied to centralized manufacturing like automobiles, helps home builders continuously improve by reducing wasteful spending and inefficient labor practices. But there are other benefits—like giving your entire project team a greater say in best practices and job site safety.

The idea of lean management originates with manufacturing concepts first tried by Taiichi Ohno and Shigeo Shingo beginning in the mid-1950s under the Toyota production system. Ohno identified **seven areas of waste**, and competitive builders recognize many of these as they manage their own construction projects.

### 7 Places Lean Waste Happens



Graphic courtesy of Kanbanize.com

# 2

## How lean construction benefits your construction company



Home builders like you may not think of what you do as lean construction, but your concern for minimizing waste is very similar. It's easy to imagine how over ordering materials blows your budget or how under ordering results in wasted time and money on last-minute runs to the lumber yard.

When you work to eliminate waste in your build and gain **efficient project**

**management**, you are solving the same kind of problems that concerned the founders of lean project delivery. They too wondered if fewer materials could create a product or whether their team members were spending time doing the right things.

# 3

## How software helps establish stronger work habits



Accurate cost forecasting can help you identify and address the areas your lean waste occurs. Creating an accurate cost forecast, however, first requires accurate, up-to-date material pricing from your dealer.

You can't afford to waste time when it comes to the estimating process. The time you spend in back-and-forth pricing with your dealer affects how fast you can build an accurate estimate and provide that to your home buyer.

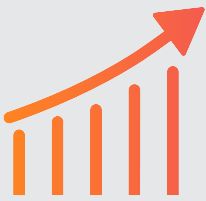
An industry study from Buildxact and The Fransworth Group finds that traditional

communication practices, like emailing and back-and-forth phone calls, take an average of 19 hours per week, per customer bid.

Today, modern software helps you collaborate with your dealer online about pricing and availability, which speeds your administrative work and gives back valuable time you can spend discussing more important matters with your dealer, such as material choices and substitutions that best serve your customer.

# 4

## Planning a more profitable construction project



Profitability is all in the upfront planning, and today's leading cloud-based home construction management tools offer accurate project estimating and quoting to prepare builders to run a successful project from its early stages to final invoicing. With software, you can generate an accurate detailed estimate faster than traditional construction project tools. These modern estimates document all the critical tasks and the associated labor and material costs.



The estimate and quote not only fully informs your home buyer of what to expect but also allows you and your sub-contractors to communicate quickly on the quantity and quality of materials and set realistic installation timelines. Get everyone on the same page before you hammer the first nail. You will find it is critical for cost-control, scheduling and continuous improvement.



Software also helps you figure out your core team of reliable subcontractors. Remember, subcontractors quoting the lowest cost or quickest turnaround may not be worth the upfront savings they promise you. You risk wasted materials and unplanned rework to correct poor workmanship.



In the lean construction process, rework, or what some refer to as defects, are a form of waste to avoid in the construction process because they generate expensive, disruptive change orders.



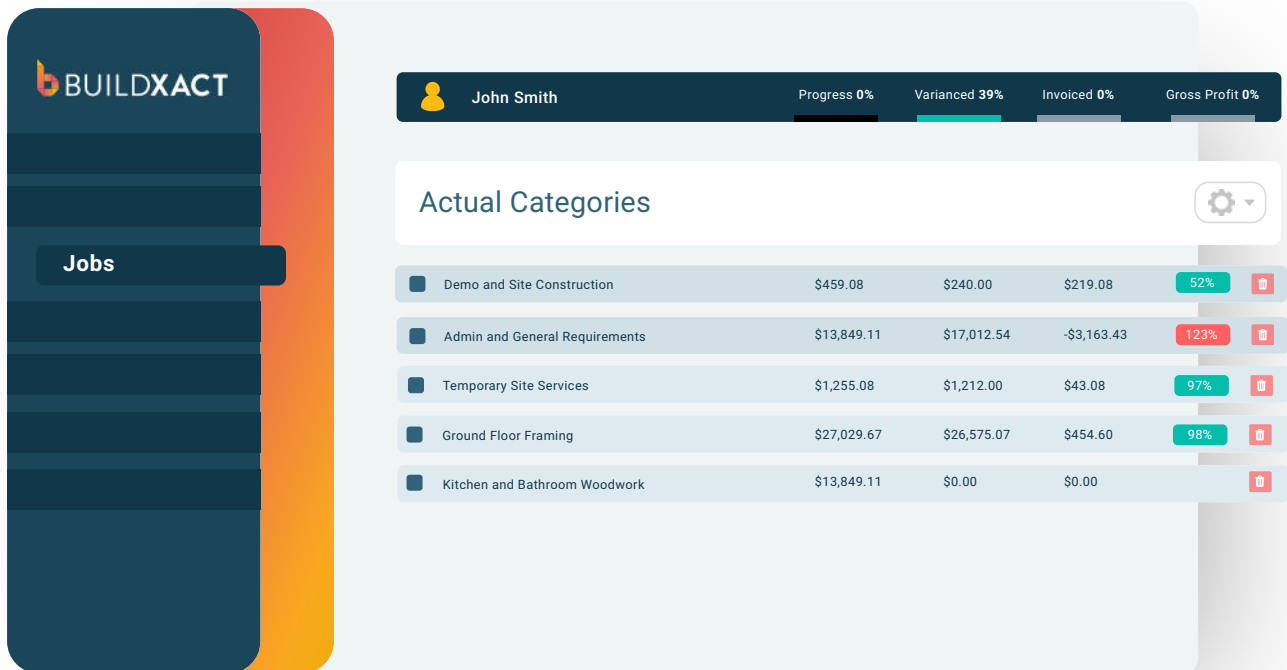
# 6

## Using budgets to benchmark your construction activity

The best software also offers **budget and invoicing line items** for the many tasks required to complete a home build. Tracking expenses by tasks and categories gives you insights into what parts of your project bring the greatest value. In terms of lean principles, this is what is known as identifying your top value stream.

Whether it be framing, roofing, or plumbing, you want to know where

your team is the most efficient and where the greatest costs lie. You want to continue doing what you do well so that you can focus on improving the wasteful and expensive areas in future projects. It might mean hiring a new set of subcontractors who work more efficiently or perhaps it means finding a more affordable dealer for the materials involved with that costly work.





# How to adopt lean construction in your business

Many home builders like you are using Buildxact as their lean management platform. Buildxact offers time-saving digital takeoffs, estimating and scheduling for a **low monthly subscription**. Want to learn more?

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