

## What Two Seasoned CEOs Have Learned

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SAN DIEGO—The importance of aligning yourself with people whose values match yours and having an open mind were among the topics discussed by the New Home Co.’s CEO Larry Webb and Woodside Homes’ CEO Joel Shine during the “Builders Unplugged” session at PCBC here last week. The two seasoned homebuilding professionals sat down with moderator Tim Sullivan, practice director

for Meyers Research, for an informal and informative discussion about what they’ve learned in their careers.

Myers asked the two how they establish a culture in their business, and Webb said, “All companies have a culture. I want to work with people I love and care about in an organization that values its customers and each other. My whole role in this company is to make sure that the people who work with us come in and are excited and do the best work of their lives. Ultimately, I’m a coach, and I’m a much better soccer coach than a home builder by a lot. We’re all coaches—good and bad. The reality is, we all need each other.”

Sullivan said Shine came into Woodside Homes at the worst of the downturn, which is not the easiest from a culture standpoint. “The company was billions of dollars in the hole when I became CEO. I put a sign on the wall: ‘Look public, act private, make money, have fun.’ A highly energized, happy employee is one-third more productive. The first thing I did was get people to release litigation; we went from a broken company to a company you were helping to repair.”

Shine added that electronic communication is a dangerous thing that can hurt a company's culture. "I tell my kids, you spend 15 minutes typing a text rather than picking up the phone and making a 30-second call. You have to be there. Leadership isn't something you can do by voicemail or email, but you also have to be careful not to move from high-touch to meddling." Webb's pet peeve is "people who say no and don't listen without thinking about it. The concept of 'no' means having a closed mind. I'm fine with people telling me I'm wrong because I'm wrong a lot, but don't tell me I can't do it without exploring it first."

Shine's pet peeve is "people saying, 'This is the way it is, it's the way we've always done it.' You really need to push people to ask the question, 'Why?'"

Webb pointed out that the homebuilding industry does almost no market research. "We all think we know everything. It makes no sense whatsoever."

Sullivan asked each, "What things would you change about the industry?" and Shine said, "It's interesting to think about the relationship between land sellers, developers, home builders and home buyers. We're not an industry that's as innovative as we could be. We need to push back against the constraints and harnesses."

Webb said, "The building community always has to put up their customer-care scores, but we never talk about it because we don't care. A lot of builders don't even survey their buyers. But if what we do is so important, we all should be measuring it all the time. We all should be proud of it and make changes. It's a messy business, and we screw up a lot, but that's the way we resolve it and fix it. We could also do a better job of working together with our trade partners. Cities don't trust builders, and we don't trust cities. We should embrace each other."

An attendee asked about women in leadership roles, and Shine said, "We have to go to the universities and recruit from the ground up." Webb said, "We've never had a female division president, so shame on me. Look at our great companies and who the buyers are. Twenty-five years ago, there were 8% more men in college than women, and now there are 7% more women than men. Young guys are knuckleheads; we all have to do a better job getting women into leadership positions."

Another attendee asked about how the CEOs are preparing for potentially rising interest rates. Webb said it hurts the entry-level builder more than his company, and Shine said, "You can't second-guess the market because you'll go crazy. You need to take it in consideration, but don't let it drive you crazy. The worst time to sell a house is when rates are going down because people are going to wait to see if the rates go lower. The best time is when rates are going up."

A question about California land prices was directed to the CEOs, and Shine said, "It's not a very big issue for us; we're not doing a lot of land development. We're much more of a home builder."

Webb said, “California land prices never went down the way they should have. I believe we will have a longer up market.” Shine added that his firm did a housecleaning with the land it held, and there are some areas they wished they had kept the land they sold—in Florida, for example. “The markets never come back the way you think they will.”

Another question came in about first-time home buyers. “We keep reading about the death of the first-time home buyer,” said Shine. “We’ve had tremendous success with entry-level stuff. The problem is the last cycle hit the land developer more than home building. It’s been a slower recovery, but the people who create title hurt more than home builders. As land gets more expensive, entry level falls by the wayside.

To a question about world events and how they’re impacting the market, Shine spoke of how 9/11 blindsided his company and changed the focus of business in a day. He said aging Baby Boomers are an untapped market in the home-building industry. “Empty-nesters have real money and equity in their homes, and most building companies aren’t coming up with interesting answers. It’s out of our control.”

Shine said it’s a question of densities and Boomers. “What are they going to want? After the next event, we will use our interior spaces better; the Millennial and the Boomer will look at that.”

Sullivan asked Webb and Shine about their advice to newcomers in the industry. Webb said, “The greatest thing I did wrong in my career, and there have been many, is that I sometimes worked with people who were good, but didn’t have the same kind of values I did, and sometimes I compromised. I love this business, and if you have the same passion, then get aligned with a company that feels like you do, and don’t work in an organization that doesn’t because I did that, too. Don’t worry about the money because the money will come.”

Shine advised, “Find good mentors. Move around a little bit. Find people you like, but don’t get pigeonholed.”

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