



The Transformation to Professional Management at Pardee Homes

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Abstract. This article presents a case study of the transition of Pardee Homes from an entrepreneurship to a professionally managed firm. It examines changes in leadership, planning processes, and organizational structure involved in the completion of a transformation from a family owned business to a professionally managed firm. It focuses in particular upon the changes in organizational structure over a period of more than a decade. These changes were a key component of the overall transformation process. The case demonstrates the practical difficulties involved in the application of the theoretical constructs of organizational structure in the real world.

Keywords: transformation, professional management, organizational structure, organizational success, management systems.

1. Purpose

This article examines the transformation to professional management at Pardee Homes. Its particular emphasis is upon the transition from one type of organizational structure (functional) to another (matrix) as part of the overall transformation to professional management.

The focus upon structure is of particular significance because the experience of Pardee Homes highlights the critical but often neglected role of structure as a key variable in determining organizational growth and success. Typically, the academic literature on organizational structure treats it in a descriptive way rather than as a driver or limitation of organizational success.¹

1. For example, see one of the classic treatises on structure: Jay. R. Galbraith, *Designing Organizations* (Jossey-Bass, 1995), pp. 12-13. Galbraith states: "Strategy is the company's formula for winning... The Structure of the organization determines the placement of power and authority in the organization."

2. Company Description and History

Pardee Homes is a multi-regional real estate development company with a focus on developing master-planned communities and building single family and multi-family homes. It is headquartered in Los Angeles, and has regional offices in Southern California (Corona, Irvine, San Diego and Valencia), Northern California (Pleasanton and Sacramento), and Nevada (Las Vegas). In 2005 Pardee Homes forecasts \$1.7 Billion in revenues and the construction and sale of 3,000 units by over 700 employees.

The company was founded in 1921 by George Pardee, Sr. as a builder of custom homes. In 1969, the company was acquired by Weyerhaeuser Company, a global leader in the forest products industry and became the largest subsidiary of Weyerhaeuser Real Estate Company (WRECO).

In 2003, Pardee Homes celebrated 50 years of homebuilding in Nevada, and in 2004 celebrated 50 years of building in San Diego.

The company is ranked among the top five builders by volume in most of its markets. Pardee was named “America’s Best Builder 2003” by BUILDER magazine, and has received numerous awards for its master-planned communities and innovative home designs.

A recognized leader in “green” building practices, Pardee Homes was the nation’s first builder to make a commitment to build 100% of its homes with the energy-saving features that meet the U.S. Department of Energy’s criteria of the EnergyStar® program.

3. Development of Professional Management Systems

In 1992, when the organizational transformation process began at Pardee, the company was led by David Landon, President, and Vance Meyer, Executive Vice President.² Previously, Pardee had been a family business, and reportedly it had been operated based on the requirement that all three brothers, who were owners, had to reach consensus before significant business decisions were made.

Landon and Meyer were committed to preserving the values and strategic approaches that had made Pardee such a successful company.

In 1992, David Landon, President of Pardee Homes, attended a seminar delivered by Dr. Eric Flamholtz at UCLA. The seminar topic was “Growing Pains.” Landon recognized that Pardee was experiencing “growing pains” and asked for Flamholtz’ help in developing more professional management systems for Pardee.

2. Previously, the company had gone through various management changes and had been family-managed by three brothers—George, Jr., Hoyt and Doug Pardee.

4. Organizational Assessment

The first step was a preliminary organizational assessment. It should be noted that Pardee under Landon and Meyer was a very successful, profitable and admired organization. The organizational assessment was intended to strengthen a company that was already one of the leaders in its field. The initial assessment of the organization revealed:

- Although Pardee did a great deal of long range planning for its land acquisition and projects, there was a lack of formal planning for some organizational issues.
- The current functional organization structure was approaching its limits as an effective structure.
- Landon and his COO, Vance Meyer, were functioning as “super project managers,” responsible for coordinating the work of the entire organization.
- The structure was fostering a “relay race” approach to building homes rather than a “basketball team” approach: *a sequential handoff rather than “continuous interaction” process that lacked accountability and follow-through.*
- There was no system for developing new Project Managers other than “sink or swim”.

4.1. Proposed Organizational Changes

Based upon the initial assessment, Flamholtz recommended:

- 1) Enhancing the management team:
 - Creating an Executive Committee.
 - Offering a management development program to grow managers.
- 2) Developing a formal, longer range planning/organizational development process.
- 3) Transitioning from a functional structure to a divisional structure.

After conducting a preliminary assessment of the organization, Flamholtz pointed out that most of the company's operational and strategic decisions were being made by Landon and Meyer – following the tradition of the Pardee brothers. However, Pardee's business had expanded and the decision-making load had increased. Both Landon and Meyer were close to becoming bottlenecks. In addition, they were personally under a great deal of stress from the amount of responsibility. It appeared that Pardee was reaching a point where the capacity to grow would be limited unless the company transitioned to a different structure.

Flamholtz recommended a three part approach: (1) enhancing the management team by creating an Executive Committee and by offering a management development program; (2) developing a longer range planning and organizational development process, and (3) developing decentralized regions to oversee the day-to-day planning and operations in key geographic areas.

The Executive Committee. Flamholtz recommended the creation of an Executive Committee that would serve several purposes:

- Give Landon and Meyer a forum for involving a select group of senior leaders in strategic planning and leadership.
- Begin to prepare the next generation of leadership by giving functional leaders (department heads) an opportunity to consider issues from a broader corporate perspective and by sharing unwritten strategies and guidelines for decision-making that Landon and Meyer had learned from the Pardee brothers as well as from their own experiences.

Planning and Organizational Development. He also recommended that Pardee begin a longer range planning process focused not just upon strategic planning per se but overall organizational development of Pardee to help it transition from entrepreneurship to professional management. Pardee had always done planning on a project basis, as well as planning for land acquisitions, but not for overall organizational development including the development of organizational infrastructure.

Decentralizing Organizational Structure. Flamholtz further recommended that the "bottlenecks" and pressure created by the current system of organization would be overcome by transitioning from Pardee's functional structure to a more decentralized divisional structure.

4.2. Pardee's Response to Recommendations

Landon agreed with the first two recommendations, but felt the timing was premature for the proposed structural change. It was his belief that a divisional structure would put Pardee at risk. It was his experience that all organizations which had tried this approach had experienced excessive difficulties, and even failed during periods of extended building cycle retrenchments. In addition, there were other factors that made this change premature, including limits on the company's expansion potential.

The recommendation to form an Executive Committee was accepted. The Executive Committee included Landon, Meyer, and six other senior executives.

The recommendation for strategic planning and organizational development was also accepted. In addition, Flamholtz's "strategic lens" (The Pyramid of Organizational Development shown in Exhibit 1) and the related strategic planning methodology was adopted as the basis of Pardee's planning process.³

Four times a year the executive committee spent a day off-site on strategic planning. At other times, the committee met to consider specific business issues. The company adopted the mantra of "continuous improvement" in all aspects of its business.

The Structure Issue was put on Hold. With the decision to put structural change on hold, other organizational development issues moved to the forefront. The delay actually allowed Flamholtz to learn about Pardee and see if a different and intermediate structural solution could be implemented.

5. Pardee's Growth and Transition, 1992-96

Between 1992 and 1996, Flamholtz and his firm, Management Systems, helped the Executive Committee implement a program of strategic organizational development, which included management development for senior and middle managers and facilitation of strategic planning.

During that period, some initial steps were taken to deal with the structural issue by proposing a redefinition of the role of the "project manager" and the formation of regional project management teams.

5.1. Selected Results of this Process

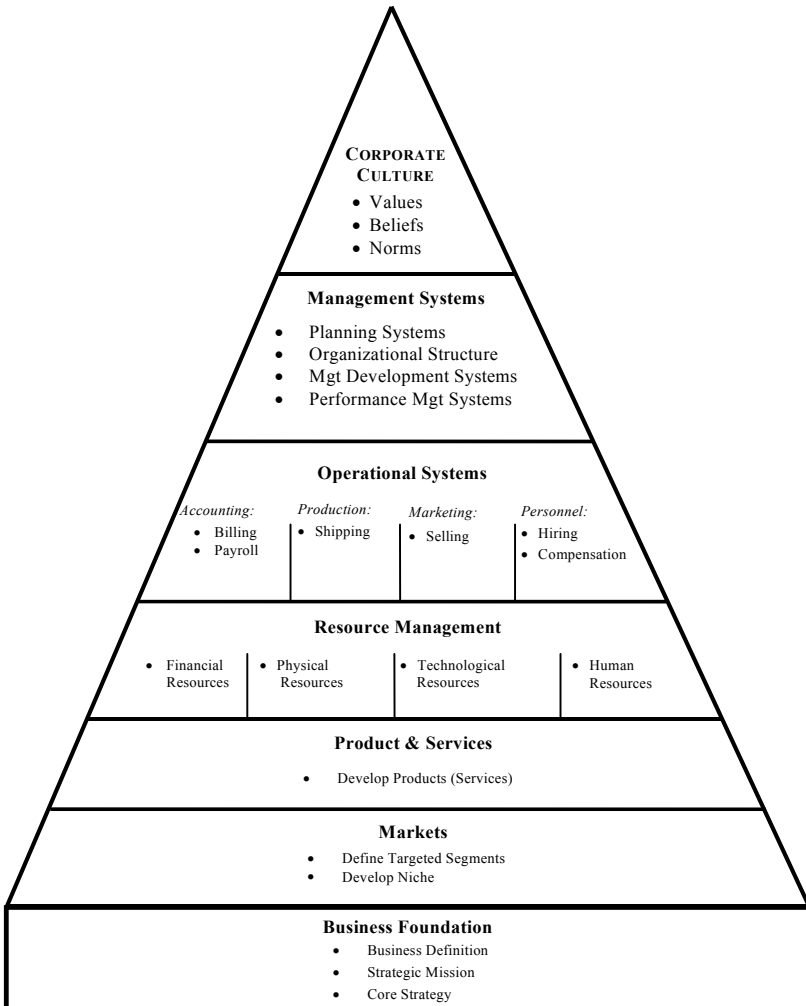
During this period several changes occurred at Pardee including some specific results or outcomes from this organizational development process:

3. See Eric G. Flamholtz and Yvonne Randle, *Growing Pains: Transitioning from an Entrepreneurship to Professional Managed Firm*, Jossey-Bass Publishers, Inc., 2000.

- Pardee changed its business concept and name of the firm from “Pardee Construction” to “Pardee Homes” to both reflect, and project, a different understanding, image, and focus of its business.
- Pardee developed its management systems, including

- Planning systems**
- Management development**
- Organizational structure**
- Performance management systems**
- Culture management**

Exhibit 1: The Pyramid of Organizational Development



6. Pardee’s Growth and Transition, 1996-2000

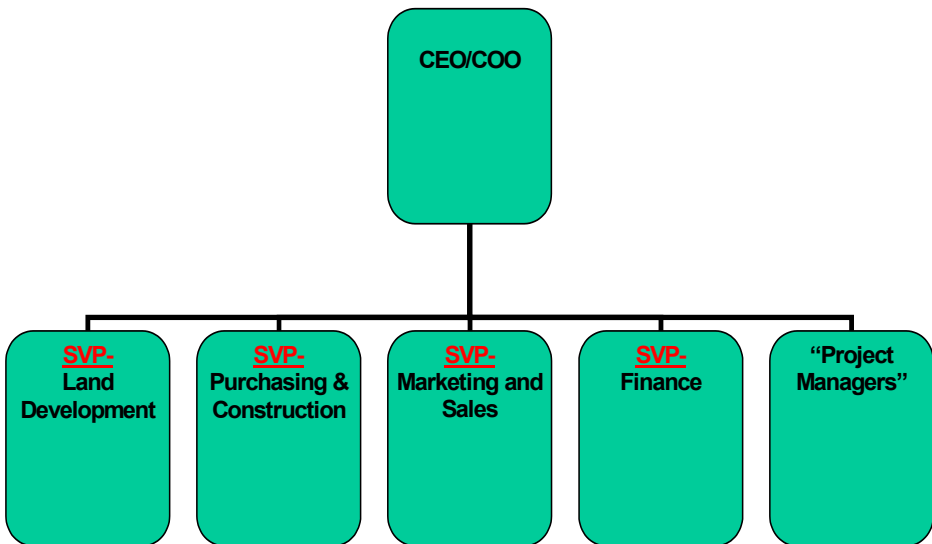
During the next period of growth at Pardee the development of the company continued both in terms of operational measures and organizational changes.

- At this stage, in 1996, Pardee had: Revenues of \$403 million, a headcount of 358, and unit volume of 1,669.

6.1. Pardee’s Structure in 1996

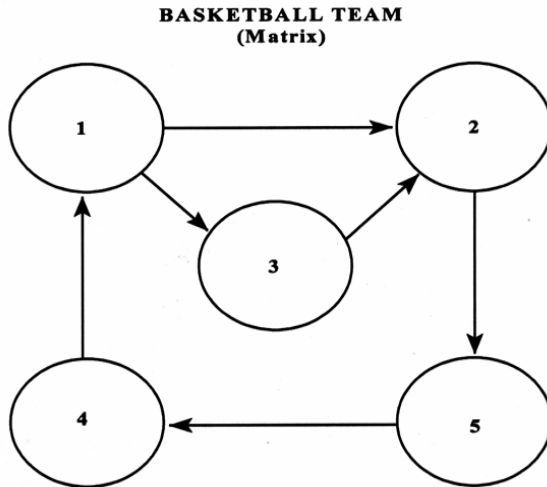
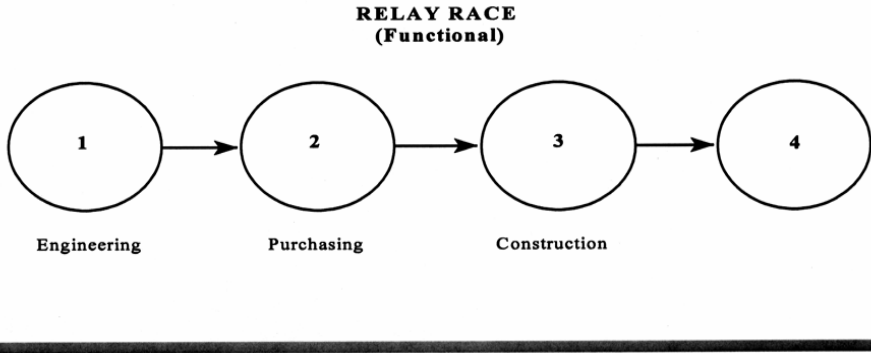
In 1996, Pardee was organized in a classic functional structure, as shown in Exhibit 2. The business was conducted in such a way that the process was akin to a “relay race,” with projects moving from one organizational function to another, as shown in Exhibit 3. The process was similar to the flow of “product” in a manufacturing process. The functional areas, or “Departments” as they were termed, operated as virtual “silos”. Each did their own thing, and did it well, but with limited interaction and coordination, follow-up or follow-through with other areas.

Exhibit 2: Pardee’s Functional/Silo Structure (Simplified Version)⁴



4. The “Project Managers” role was somewhat of a misnomer. The role primarily involved dealing with land entitlement and legal issues, rather than managing a land development project per se as occurred later.

Exhibit 3: Alternative Team Concepts



Although there were nominally “project managers”, the job title was somewhat of a misnomer. Their real role was to deal with the complex entitlement issues that all real estate development involved and this, in turn, meant that their skills singularly emphasized dealing with the political entities which controlled discretionary governmental approvals. This is not a criticism of Pardee’s use of the term project managers. It is common practice in the housing development industry for the “project manager” title to be used in this way.

The true project managers were Landon and Meyer, and they functioned as the only real “general manager” overseeing budget and schedule coordination responsibility on all of Pardee’s projects. The burden on Landon and Meyer as “super project managers” (a term that was coined by Flamholtz and adopted by Pardee to describe this role) was an overwhelming obstacle to growth in volume and breadth of product offering as well as geography.

At this point, Landon and the Executive Committee recognized that the limits of the effectiveness of the current organizational structure built around a group of strong Department heads and Landon and Meyer as ‘super project managers’ had reached its limits. Pardee had to make a decision about keeping its current structure or transitioning to a new structural concept.

6.2. Structured around Regional Teams

In 1996, Landon, Meyer, and the Executive Committee oversaw the launch of a more formal system of regional cross-functional teams. The intent was to move from a loosely coordinated system to a more formal assignment of responsibility and accountability. Cross-functional teams of professionals would be created that would focus on the projects in a regional area and be responsive to the differences in local government needs, and the needs of customer segments. Characteristics of this initial team system included the following:

- The teams were led by Project Managers who had previously spent most of their time on “entitlement” issues (i.e., working closely with local governments to obtain approvals to develop a property), while also coordinating project time schedules.
- Team members were specialists from the functional departments that played a role in project planning and development, including Architecture, Construction, Engineering, Finance, Marketing, Purchasing, and Sales. A few of the team members were located in the regions, but most were based at the corporate office in Los Angeles. Often an individual was a member of more than one team.
- Teams were charged with keeping projects on budget and on schedule.
- Each team participated in a three-session training program conducted by Management Systems. In addition to team building, the training program focused on skills related to effective meetings, interpersonal communication, and business decision-making. Each team adopted a list of team norms (i.e., agreements about responsibilities of team members and how team members would interact).

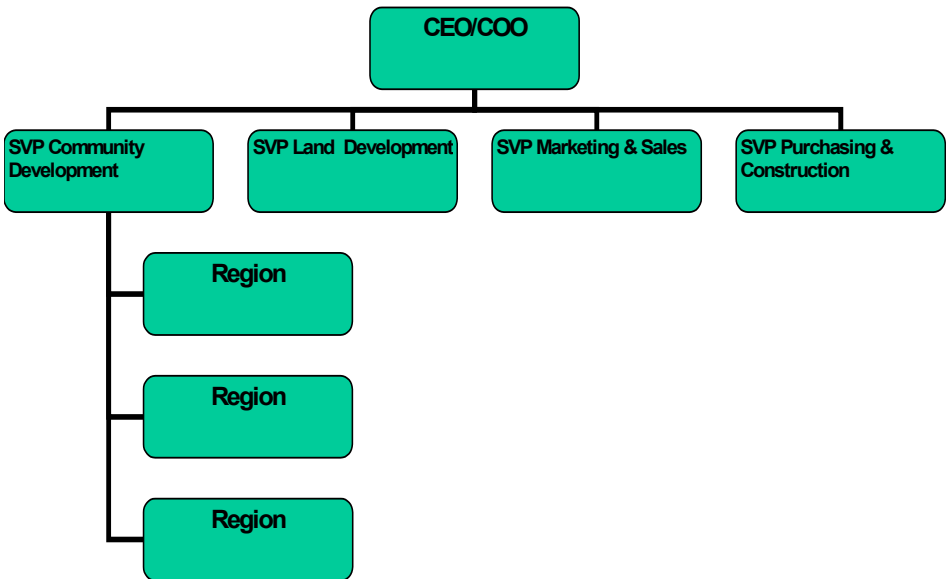
Examples of agreements reached regarding team norms:

- There should be no surprises at team meetings. In between meetings, team members should use e-mail or voicemail to notify other team members about any problem that might impact them.
- Keep Project Manager informed about any issue or problem that might have an impact on a project's "bottom line".
- When a problem arises, "work on solutions" vs. "search for the guilty".

The concept of a matrix organization structure was introduced. The idea was to move from functional or "relay race type structure" (previously shown in Exhibit 3) to more of a "basketball team type structure", (also shown in Exhibit 3). A basketball team moves up and down the court together as a team rather than functioning in a relay race fashion.

Pardee's matrix structure is shown in Exhibit 4. This shows team members with a solid reporting line (direct relationship) to one of the functional department heads at corporate, and a dotted reporting line (indirect relationship) to one or more of the regional team's Project Managers. Department Heads were to be responsible for the quality of the expertise and technical support that their team member brought to the team. Project managers were to be responsible for orchestrating the efforts of the various functions to keep a project "on track". Project Managers were encouraged to communicate with functional Department Heads if there were concerns about a team member's participation and contribution to the team.

Exhibit 4: Pardee's Matrix Structure (Simplified Version)



7. The Catalyst for Change: Pardee 2000

The primary catalyst for change was a leadership transition that took place at the senior management level. A secondary catalyst was Weyerhaeuser's interest in having the leadership team propose strategies for more rapid growth.

In 1999, Pardee had revenues of \$615 million. The head count was 432 people. The company had closed 1,969 homes in 1999.

In 2000, Landon and Meyer retired. Two of the members of the Executive Committee were selected to replace them. Mike McGee was named President & CEO of Pardee, and Hal Struck was named Executive Vice President & COO.

Over the next few years, changes at the parent company, plus a favorable housing market, were to afford the new Pardee management team an opportunity to strategically explore opportunities for growth and geographical expansion.

7.1. Leadership of Change

Mike McGee, the new President of Pardee Homes, along with Hal Struck, Executive Vice President, and other senior managers led the changes that followed the management succession in 2000.

McGee had an appreciation of the values of both entrepreneurial thinking and professional management systems. He was committed to building on the

valuable legacy from Landon and Meyer, while also having his own vision about how Pardee would evolve.

Prior to being hired by Pardee, McGee had held an investment analysis position at another WRECO subsidiary, a planning position at Weyerhaeuser Real Estate Company (WRECO) and then managed an East Coast division at another of the WRECO homebuilders. These earlier experiences gave him insight into Pardee's parent company, and multiple housing markets, that proved to be valuable in his new role.

Also, his own experience as a Project Manager at Pardee and his central role in developing the regional team restructuring gave him an in-depth understanding of the development process and an appreciation of the ongoing challenges involved in the tension between Pardee's centralized departments and regionally-focused teams.

8. The Change Process & Initiatives, 2000-2004

There were several critical components of the change process. The first was a change in leadership style and clarification of cultural principles. The second was a series of initiatives to make structure changes that would support strategic growth.

8.1. Expanding the Senior Leadership Team

McGee and Struck chose to continue to operate with an Executive Committee, but expanded it from 8 to 13 members. The new Executive Committee included four members from the first (1992) Executive Committee (including McGee and Struck). The nine senior managers added to the Executive Committee reflected a mix – including some who had worked at Pardee for many years and others who were relatively new. A broader range of ages, tenure and professional disciplines were now participating in executive decision making and corporate policy setting..

McGee communicated his desire and expectation that Executive Committee members would be actively involved in strategic planning and corporate oversight, would work together collaboratively and support each other, and would be committed to more aggressive continuous improvement.

Quarterly strategic planning/organizational development meetings provided a time for the group to spend a day off-site, thinking about the “big picture” for Pardee. An annual executive seminar provides time for a mix of learning opportunities and team-building.

By expanding the Executive Committee, McGee brought new voices into the decision-making process, demonstrated a willingness to receive input from a

variety of perspectives, challenged a new generation of management to think strategically, and created a strong foundation for guiding Pardee's future growth.

8.2. Culture Management and Leadership Style

As part of their vision for the transition, Mike McGee and Hal Struck resolved to implement a more participative style of leadership. They wanted to empower Department Heads, regional leaders, and team members to be more proactive in addressing opportunities and challenges. In addition to expanding Executive Committee membership, tactics to move in this direction included seeking broader input before decisions were made, giving recognition to managers and staff who took the lead on specific issues, and increasing communication throughout the organization about company performance and management initiatives.

Some of the specific strategies that they used to demonstrate this change in leadership style and management cultural values included the following:

- *Semi-annual Pardee Progress Meetings*: Expanding on a process of annual meetings in the regions that began under Landon and Meyer, McGee and Struck instituted the "Pardee Progress Meetings". These involved a half-day meeting in every region at least twice a year. These meetings provided a forum for providing updates on overall company performance, introducing new corporate initiatives, and inviting feedback regional staff via candid Q & A sessions. In addition to presentations by McGee and Struck, most meetings include a brief update on progress in each region (presented by VPs of Community Development) and feature other managers to share information on key initiatives.

The format and frequency of these meetings demonstrate changes in management style at the top by including more managers, from multiple levels, as presenters, and by sharing more information with staff about company performance against goals together with future expectations.

- *Field Visits with Front-line Staff*: McGee and Struck continued the practice by Landon and Meyer and made sure that they scheduled time to meet with workers in various departments during their visits to regional areas. For example, they might conduct "Skip Level" breakfasts and lunches where they would meet with the Construction Superintendents or Customer Service staff. They used these meetings to listen to concerns and suggestions from the people who were on the "front-line" of community development. These meetings helped

demonstrate that the company's leaders respected and valued staff at all levels of the company and that they were willing to *listen* to staff commit resources on a timely basis to corrective actions designed to improve the effectiveness and quality of work processes. In addition, these meetings helped McGee and Struck keep current on the progress of existing initiatives throughout the organization and gain personal exposure to high potential employees who could accelerate plans for growth.

- *Company Newsletters*: McGee initiated the inclusion of the "President's Message" as a regular editorial feature of Inside Pardee, the company's newsletter. This provided him an additional forum for the dissemination of information, reiteration of critical goals and objectives, and the opportunity to introduce new initiatives or comment on market trends.
- *Annual Team Seminar*: McGee expanded on a tradition that he began when he headed Project management. Once a year, all team members are invited to a resort location for 3 days of meetings, followed by a weekend where family members join in the fun. The meeting content is varied, but generally includes a mix of team presentations, skill building, and strategic thinking, as well as team-building activities. Senior executives usually participate in at least the last day of the seminar, often sitting as a panel to receive team recommendations.
- *Goal-Oriented Incentive Compensation*: Prior to the transition, Pardee executives felt that they had little control over their incentive compensation. McGee revised the system of incentive compensation, with support from WRECO, to ensure that a component of the bonus was determined based on how well individual executives accomplished annual goals that were set with McGee and Struck. This change was very positively received by executives and resulted in more dedication to completion of individual goals.

9. Changing the Structure at Pardee

The evolution of Pardee's structure continued during the period from 2000 to 2004. During this period it was recognized explicitly that Pardee's structure had become a "matrix structure", as shown previously in Exhibit 4.

9.1. Regionalization of Project Teams

Before his promotion to President, Mike McGee was the department head responsible for all of the Project Managers who led regional teams. He provided oversight and guidance for Project Managers individually and as a group. He was an advocate of relocating project team members from the corporate office, so that they could be housed with the Project Manager and other team members in regional offices. This process was begun prior to the leadership transition, but was accelerated after McGee became President.

Positions in regional offices were filled in two ways. In many instances, the current holder of the position agreed to make the physical office move. In other instances, Department Heads filled vacant positions by hiring candidates who already lived in the regional area.

Physical co-location of team members produced tangible benefits – including improved communication among team members on a daily basis (not just in formal team meetings), more awareness of local trends and requirements, closer focus on customer requirements, more timely recognition of, and response to, schedule delays, and enhanced team spirit. It also facilitated improved opportunities to fill new positions created by growth by sourcing better qualified candidates who were typically more experienced in the local market areas.

9.2. Changes in Department Head Roles

The relocation of functional staff from the central office to regional offices made it necessary for Department (functional group) Heads to change their approach to interacting with and overseeing the technical work of department staff.

For example, two of the departments that were most heavily impacted were Land Development (Engineering) and Purchasing. Both functions went from having all staff located close to each other in the central office to having most staff located in the regional offices. The Department Head's role in Pardee's matrix organization was to ensure that functional staff provided expert technical support to their team and that their work performance met Pardee standards for quality and conformed with company policies. Therefore, new approaches were needed for orienting new hires, reviewing individual work product, establishing policies and procedures, conducting staff meetings, and helping to resolve difficult technical issues. Some of the common changes made by managers included the following:

- More frequent visits by Department Head to regional offices to review work product, discuss challenges, and keep current on specific regional issues.

- More work on documenting formal policies and procedures.
- Staff meetings conducted in various locations.
- More use of upgraded telephone and video conference facilities.
- Creation of at least one subordinate manager to help with more detailed oversight of a portion of regionally-based staff. This had the added benefit of exposing potential succession candidates to increasing levels of responsibility.

9.3. Changes in Team Leader Roles

By 2004, all of the regional team leaders that had successfully transitioned to effective managers within the matrix structure had been promoted to “Vice President of Community Development” (a title that was intended to reflect their leadership role as Pardee’s local representative, as well as their expanded responsibility for bringing team recommendations to senior management for approval). They were informally referred to as “regional managers.” It is important to note, however, that of the eight original project managers whose role it was, remember, to function almost solely as entitlement experts, only three survived the redefinition of their role to expanded responsibilities for coordination of budgets, schedules and personnel.

9.4. Development of Supporting Systems

One of the concepts of the approach to structural design employed by Flamholtz is that it does not exist in a vacuum. The first notion is that strategy drives structure; this means that structure follows from the organization’s strategy. A second precept is that structure does not exist in a vacuum; this means that there are certain “supporting systems” which must be developed to support an overall structural design.⁵

Typically the supporting systems which must be developed as a part of an overall structural design include the organization’s culture (which specifies how people will work together), the compensation system, and the planning system.

Articulation of Cultural Principles. In 2003, the Executive Committee began work on a statement of Pardee’s Cultural Principles. A major purpose of this initiative was to help ensure that shared cultural values would be implemented at

5. Eric Flamholtz and Yvonne Randle, *Changing the Game: Organizational Transformations of the First, Second and Third kinds*, Oxford University Press, 1998, Chapter 8.

corporate and across all of the regions. Vice Presidents of Community Development were invited to review and discuss an early draft of the principles with the Executive Committee. It was recognized that these regional leaders would have a critical role in managing culture in their locations.

Team Incentive Compensation. McGee and other executives felt that it was important to motivate and recognize strong team performance through annual financial incentives. There was common agreement that metrics needed to be set for regional performance that would help set the incentive compensation for all of the professional members of a team. There were a number of procedural challenges to resolve before such an incentive could be implemented – including what portion of an individual’s incentive compensation would be determined by the Department Head (regarding technical performance and individual goals), how teams would give input regarding contributions of individual members to team functioning, and what input the regional office head would have in determining bonuses for individual team members. The procedure also required WRECO’s approval, because it was a new approach and required ongoing financial commitment from the parent company.

After a long gestation period, the team incentive system was introduced to team members in 2002 and first paid in 2003.

Enhancing Team Participation in Planning. John Osgood, a former Project Manager who had left Pardee to take a regional leadership role with another builder, was recruited by McGee to become Senior Vice President of Community Development.

Osgood recognized a need to develop more formal plans at a project and regional level. This effort proceeded in several phases:

- The first phase was to have teams develop a formal “Project Business Plan” for every physical property in development that the team was overseeing. This plan documented assumptions regarding the project’s budget and schedule, identified key milestones and challenges related to the development process, and presented detailed goals for the project. These plans were to be updated regularly.
- The second phase was to develop Regional Strategic Plans that were future-oriented. Teams were asked to include proposals for future land acquisition and strategic initiatives that would maintain and enhance Pardee’s market position and delivery of its value proposition in each region.⁶

6. Pardee’s “value proposition” is: “We build homes and communities for the way people want to live, creating premium value through a trusting builder relationship.”

Management Systems conducted training workshops for each regional team to help stimulate the ability of team members to think strategically (e.g., about market positioning, competitors, trends impacting the building industry, etc.).

- The third phase was to involve the Executive Committee in making semi-annual (twice a year) visits to each region to hold a Regional Operations Review. In this meeting, the team leaders (and selected team members) would update executives on progress against Project Business Plans and present information about significant local trends.

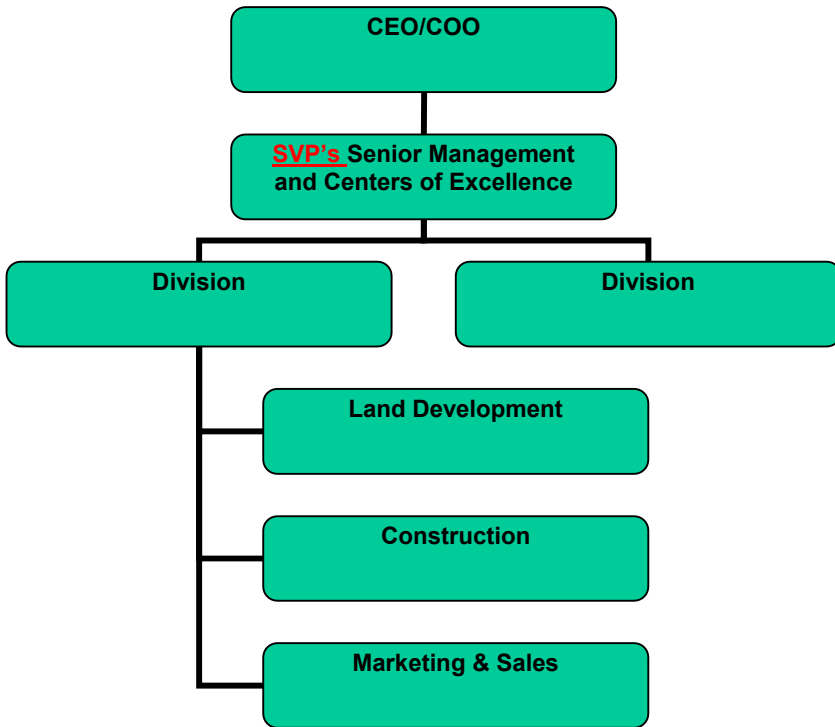
10. Structural Change: Pardee 2005

As Pardee added additional regions, Mike McGee began to believe that the current structure at Pardee was again in the process of being out grown. Initially he discussed this with Flamholtz, who again suggested the concept initially recommended in 1992: the organization of the company into divisions based upon geographical regions.

During 2004 and early 2005, the Executive Committee held in-depth discussions about the possible need to change the matrix structure so that regional team members had a direct reporting relationship with the Vice President of Community Development and a dotted-line reporting relationship with a Department Head.

In 2005, a pilot project was launched in one region to implement this structure change and determine best practices for continuing the rollout in other areas. The new divisional structure is shown in Exhibit 5.

Exhibit 5: Pardee Divisional Structure, 2005 (Simplified Version)



11. Results of Change

What have the results of these changes been for Pardee? The number one reason for changing Pardee’s organizational structure was to facilitate company growth. The original functional structure at Pardee had reached its limits, and a new structure was required that would allow the company to grow, to grow profitably, and to grow without the difficulties experienced by many of the companies in the same industry which had tried decentralization.

This was accomplished. During the period from 1996 to 2005, Pardee grew from \$ 403 million in revenues to \$ 1.7 billion in revenues. During the same period the number of units sold (“closings”) grew from 1,669 to 3,000. In addition, the company achieved record setting financial performance both in terms of its own performance but also in relation to other similar companies.

In addition to these results, there were certain other non-financial results with significant benefit to the company.

- Changes in management style implemented by McGee and Struck resulted in more engagement and proactive thinking by people at all levels of the organization.
- Transfer of staff to regional offices, enhanced leadership role of VPs of Community Development, team involvement in planning, and the team incentive program resulted in regional teams taking more responsibility, which has made it possible for Pardee to function in more geographic areas without totally exhausting senior management.
- During this period, there was a major transition of senior management. The new top management team (McGee and Struck) were able to build upon the foundation provided by its predecessors and take Pardee to a new level of success. Many companies do not achieve such a smooth transition.

12. Limitations and Lessons

As with any organizational development effort, there were certain difficulties encountered. A primary difficulty was the amount of time it required to make the changes. This effort took several years. One reason was because of the initial reluctance to move in this direction, which, in return, was the product of a somewhat risk adverse culture. Although the company embraced large financial risks whenever it purchased land, it was more risk adverse with respect to managerial practices. Things tended to be done the way things had always been done. This was reinforced by the company's history of success. It is difficult to create change in successful organizations with "unproven" ideas. As a result, change took a considerable period of time.

13. Conclusion

There is however another, more positive way to look at this. There was a great deal of patience with the process of organizational development. It has become a way of life at Pardee, which embraces a culture of continuous improvements.

Pardee is still a "work in progress". McGee and Struck encourage the Executive Committee to maintain a consistent focus on opportunities for Pardee to improve – in performance, efficiency, and culture. However, the company has made significant progress and represents a significant case example of the problems and possibilities of transitioning from entrepreneurship to professional management. The experience at Pardee also demonstrates how organizational structure can be a critical variable in a company's success.