



## **Residential Real Estate Development & Construction: 5 MYTHS OF QUALITY MANAGEMENT**

**Frustrated by escalating rework costs and strained customer relationships in your residential construction projects?**

As a developer or builder, you're all too familiar with the headaches caused by quality issues: delayed timelines, soaring expenses, and dissatisfied homeowners. These challenges are not just costly—they're a threat to your reputation and bottom line.

Leaders in residential construction are experts in investing to create exceptional communities and homes. But when it comes to managing and controlling quality—whether in design, built-form, or customer experience—many shy away from making the necessary investments. Unlike other industries that have embraced quality management as a core discipline, construction often relies on individual team members, leading to inconsistent results. This hesitation to prioritize quality management is a costly missed opportunity.

**In Canada, the cost of rework in construction can account for 5% to 10% of a project's total cost. For a \$200 million project, this translates to \$10 million to \$20 million in additional expenses.**

When teams don't have a shared understanding of quality standards or a clear process for governing quality decisions, it results in varying interpretations of what "good enough" looks like. This inconsistency leads to deficiencies and quality issues that surface well into a project, causing expensive rework, team member frustration, homeowner dissatisfaction, and long term damage to the company's reputation.



If you are a builder in Ontario, the stakes for maintaining high quality standards are now even higher. Companies that fail to comply with the new 2024 Ontario Building Code regulations and HCRA standards face licensing risks and substantial legal penalties, increased liability, and potential project delays and cost overruns due to required retrofits.

**Now, let's address the top 5 myths about quality in the residential development and construction industry that block leaders from looking at project quality management using a strategic, systems-based approach.**

## MYTH #1

### Our people know what quality looks like.

In the industry, there's a common belief that experienced professionals automatically know what quality looks like, and therefore, there's no need to define quality standards or measure against these standards. However, the reality is that, when it comes to certain aspects of residential construction, quality is a subjective concept that can vary widely among individuals based on their personal perspectives, frame of reference, and pressure to not sacrifice schedule or budget. Without clearly defined standards that align with your company's brand and decision making authorities, what one person considers acceptable might differ from another's.



**Industry Fact:** A study by McKinsey found that companies with a strong reputation for quality management experience 20% higher customer retention rates compared to those with frequent quality issues.

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We spent so much time arguing over whether something was a quality issue that by the time we got to a decision, another 10 or 15 floors would be finished, and the cost to resolve the quality issue had grown exponentially... not to mention the time spent by members of the project team and the leaders to whom the issues were being escalated. It became obvious that not defining what quality looks like for us was costing us in money and time.

- EVP, Construction Management

## MYTH #2

### Quality management is a one-time effort.

A common misconception in real estate development is that quality management is a one-time effort, implemented at a specific stage of the project and then considered complete. This myth overlooks the continuous nature of quality management, which requires ongoing attention and adjustment throughout the entire project lifecycle. Quality isn't something that can be checked off a list; it needs to be embedded in every phase, from initial planning and design to construction and final inspection.

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It seemed like all the quality issues were on the shoulders of our PDI and Warranty/Performance Audit teams. They were dealing with the effects after the fact without any real way to influence everything that happened earlier in the project, which led to the poor-quality outcomes. We realized a shift was needed to both design quality issues out wherever possible and become more proactive in identifying and resolving them – the only way to get there was to involve everyone in defining and implementing a quality management program all departments actively engaged in.

- VP, Customer Care

## **MYTH #3**

### **Time/budget constraints justify cutting corners.**

Everyone in residential development understands the financial impact of sticking to the construction schedule. However, the idea that high-quality standards can be compromised to meet budget or timing pressures is a dangerous myth. It implies that 'good enough' is sufficient to meet homeowner expectations, which undermines the organization's commitment to quality. In reality, cutting corners leads to higher costs down the line—from warranty claims and customer dissatisfaction to risks with Tarion and OHSA compliance. This approach not only harms the bottom line but also threatens the company's reputation and licensing. Ultimately, this short-term thinking ends up costing far more in the long run.

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On the one hand, we were pushing the importance of quality and its impact on homeowner satisfaction. But, the second it was a question of hitting schedule or budget, all our good intentions were tossed out the window. Everyone knew that in practice, quality didn't actually matter, and things just had to be 'good enough', even if it wasn't going to keep the customers satisfied. We had to find a way to strike a balance and be clear on what was negotiable and non-negotiable when it came to our commitment to quality, then stand behind it each and every time.

- CEO

## **MYTH #4**

### **Customer complaints are the best quality control.**

While there is no substitute for direct customer feedback, relying solely on customers to point out issues turns them into an underqualified quality control team. This approach often results in prioritizing the concerns of the most vocal customers. The myth that companies can forego investing in internal quality processes because customers will highlight deficiencies suggests a reactive rather than proactive stance is sufficient. Unfortunately, this not only leads to costly mitigation efforts, particularly when issues are addressed post-occupancy, but it also causes organizations to miss out on opportunities for continuous improvement. By focusing only on what's wrong, companies fail to see how they can perform better, save time and money.

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It seemed as though decisions on whether something met our quality standards were being made solely on the basis of whether a customer will notice or if it can be justified as falling within accepted Tarion guidelines. We knew this practice of using our customer as our quality control team was more of a default position than demonstrating market leadership on the quality of our homes. To deliver on our quality promise to our customers, we had to make quality more visible in our company, shifting how and when we inspected quality and what we considered non-negotiable for our brand.

- SVP, Project Management

## MYTH #5

### Quality is the sole responsibility of the site team.

Whenever a quality issue arises, it's easy to place responsibility entirely on the shoulders of the site team and on the trades doing the work. This myth assumes that the site construction team is the only thing that impacts the quality of the community and the homes within it. It fails to consider that quality, for any residential builder truly committed to quality, is about more than just the built-form. It also implies that the planning, design, procurement, and project management functions have little to no impact on the quality of the final product. This narrow view completely neglects the interconnected nature of quality management in residential construction.

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It's easy to point fingers at the site construction team when quality issues arise, but the reality is there are so many factors that set the stage for quality even before the site team is assigned. Managing customer expectations, accuracy in renderings, trade contract terms, selection of quality materials – just to name a few – all impact the ability of our site teams to control quality in production. We knew if we really wanted to tackle quality that we had to involve stakeholders from every part of the business and every stage of a project!

- Sr. Director, Construction

### Don't let outdated myths hold your company back.

Understanding and addressing these common myths about quality management in the residential developer and builder industry is crucial for any company striving to enhance their construction standards, reduce costs, and improve customer satisfaction. By debunking these myths, we pave the way for implementing robust quality management systems that prevent errors, streamline processes, enhance customer experiences, and ensure consistent delivery of high-quality projects.

Imagine a construction environment where every function, from project management to customer care to on-site supervisory, works cohesively towards maintaining the highest standards of quality. Our expert consultants can help you achieve this by conducting comprehensive assessments of your current practices, identifying gaps, and developing customized strategies that drive continuous improvement.

By partnering with us, you gain access to decades of industry experience, proven methodologies, and a commitment to excellence that will set your projects and your business apart from the competition.



# Ready to take the next step towards quality excellence?

Contact us today at [info@caliberleadership.com](mailto:info@caliberleadership.com) to learn more about our practical solutions that drive immediate and sustainable impact. Let's work together to transform your quality management practices and achieve superior results.

Our team brings extensive expertise in transforming organizations to align their practices with their strategy and brand promise. **We have over 50 years of combined experience working in the residential development and construction industry** and have been recognized industry-wide for the results we have achieved.

We know the exact roadmap your organization needs to leverage your internal expertise, build cross-functional alignment to quality, and manage the change involved in implementing effective project and quality governance processes to consistently achieve project outcomes.

We understand the unique challenges of residential development and construction management leaders. Our customized and pragmatic approaches ensure your organization realizes tangible value through every engagement.

Our approach includes assessing your current state and defining a clear vision for quality, as well as setting objectives and defining metrics to measure impact of your approach. Our expertise extends to designing standardized quality processes across all phases of construction, ensuring compliance, and implementing robust reporting systems.

As well, we specialize in building leadership capabilities that foster a quality-centric culture. Through targeted training and coaching, as well as change management strategies, we help leaders integrate quality practices into their daily operations and decision-making processes. This ensures that all quality processes align with your business strategy, brand promise, and performance expectations.



**Reach out to us today and take the first step towards transforming your quality management practices and building a reputation for unparalleled excellence in the residential development and construction industry.**



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