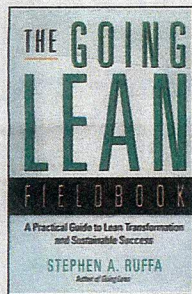


TOOLBOX

BOOKS



The Going Lean Fieldbook
By Stephen A. Ruffa

Fresh off the success of "Going Lean," his study of lean manufacturing at Toyota Motor Corp., Stephen Ruffa found that "lean" had become a corporate buzzword and was often misused as a catch-all term for mass layoffs, hiring freezes and payroll slashing.

To set the record straight, Ruffa has written "The Going Lean Handbook: A practical guide to lean transformation and sustainable business success." He offers guidance for companies looking to run efficient operations free of wasted energy and expense.

Ruffa argues that, just like a prime cut of beef, making a business lean doesn't mean simply trimming fat. "Instead of taking direct aim at waste," he writes, "lean dynamics works to reduce the time, materials and effort it takes to get things done by building in capabilities that promote stability, consistency and innovation in the midst of change and uncertainty."

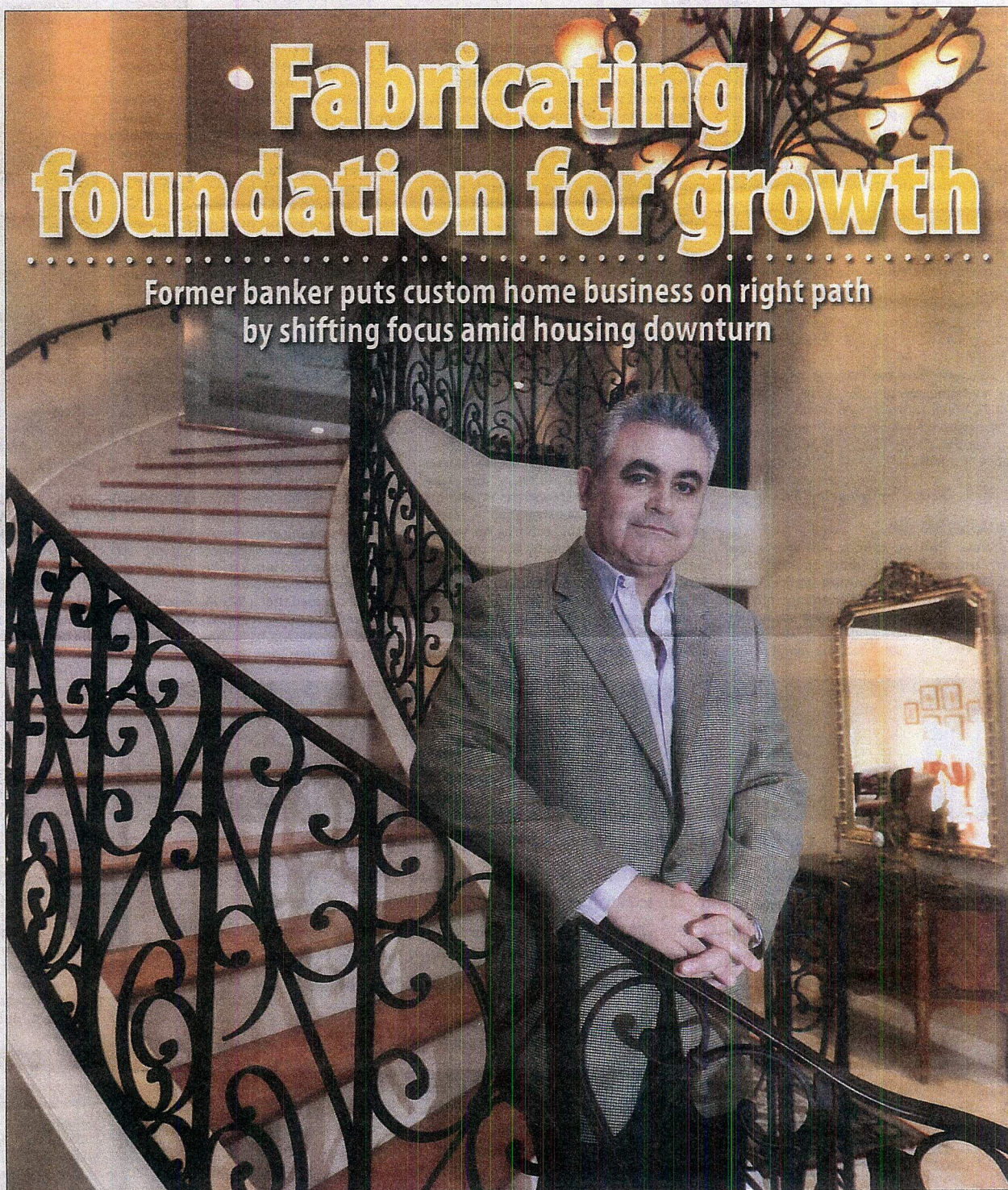
SEE TOOLBOX, PAGE 22A

INSIDE

SELLING POINTS 21A
THE RECTOR FACTOR 22A

Fabricating foundation for growth

Former banker puts custom home business on right path by shifting focus amid housing downturn



CRAIG HARTLEY/HBJ

Amir Khosrowshahi of Protege Homes: 'It's difficult to ask an employee to drive 150 miles. But for me, I can do what it takes.'

BY TANYA RUTLEDGE
SPECIAL TO HOUSTON BUSINESS JOURNAL

Because Amir Khosrowshahi started Protege Homes in 2006, just before the housing market hit the skids, the first few years of the custom homebuilding company's life were about survival. Now, with the housing market finally showing signs of stability, Khosrowshahi can turn his

attention to growth.

Eventually, the company will be able to bulk back up from what has become a one-man operation to an enterprise with a staff of full-time employees. Khosrowshahi learned the first time around what kind of employees he needs and which positions he can do without.

When he started Protege Homes nearly five years ago, Khosrowshahi had two administra-

tive employees and three employees in the field: a foreman, a superintendent and a salesperson. But Khosrowshahi, who had a strong background in the construction industry, found himself redoing much of the work himself.

"I had to always double-check and triple-check the work that had been done," says Khos-

SEE FOUNDATION, PAGE 20A

STRATEGIES

FOUNDATION: Homebuilder moves into remodeling to boost revenue in tough times

FROM PAGE 19A

rowshahi, who entered the homebuilding industry as a laborer in Rhode Island after leaving a job in international trading at Chase Manhattan Bank in New York. "I felt like I could just do it myself on a smaller scale."

So Khosrowshahi let the employees go and began running the entire company himself by scaling back to building only one or two custom homes a year.

Khosrowshahi says he is happy to manage the construction process even as Protege Homes shifts into growth mode. In fact, he recently replaced a faulty door chime on one of the company's homes himself, rather than call on a subcontractor.

"It took five minutes for me to do, and I know it was done right," he says. "There are so many aspects that I'd rather just do myself."

But now that the housing market appears to be ramping back up, Khosrowshahi plans to eventually bring some administrative employees back into the fold to handle the back-end functions. He'll need the help, considering that the company has branched out considerably from its roots as a custom homebuilder.

REMODELING SURGE

While Protege Homes still specializes in custom homebuilding, mostly on a contract basis, the housing market crash ended up thrusting the company into the speculative homebuilding business, which, by chance, led to remodeling jobs.

As the economy headed deeper into

a downturn in 2007 and 2008, Protege Homes began building a \$1.15 million speculative home in the Memorial area, which sat on the market for a year and a half before finally selling for \$935,000 in November 2008. But instead of staying idle during that time, Khosrowshahi actually started work on a second speculative home in the same area, and this one sold in just four months. It also led him into a new line of business.

"People saw my name on the spec home and they liked the way the work looked and the job site looked, so I started getting calls to do remodeling work," Khosrowshahi says. "And without warning, I had entered the remodeling market. It wasn't something I had wanted to go after, but it was paying the bills and helping support the other home that was just sitting there."

The remodeling side of the business took off so quickly that Khosrowshahi expects to complete six such projects this year, as well as one contract custom home. Protege Homes' remodeling projects range in scope from about \$30,000 to \$180,000.

In addition to pushing Protege Homes into the remodeling industry, the recession also sent Khosrowshahi in another new direction — construction of lower-priced homes in the suburbs surrounding Houston. As a result, the company's portfolio now includes a pair of \$200,000 homes, one in Brazoria and another in Hempstead.

Khosrowshahi says being the sole employee of Protege Homes was helpful in that he was able to travel where the busi-

ness took him.

"The advantage of being by myself is that I am willing to drive anywhere," he says. "It's difficult to ask an employee to drive 150 miles a day to oversee a job site, but for me, I can do what it takes. As the economy changed, I was able to change with it."

Subcontractor George Cincotta of Cornerstone Electric Co., says Protege Homes' survival can be credited to Khosrowshahi's willingness to pull back when it became necessary, rather than to panic.

"Companies don't have to be huge to make money, and people don't understand that, but Amir does," Cincotta says. "He was smart enough to recognize that you don't have to be the big boy to make money. I think his financial background probably played into those economic principles, and sure enough, it paid off."

Indeed, Protege Homes generated \$570,087 in revenue in 2009, up from \$232,840 in 2008. And 2010 midyear revenue as of June 30 had surged to \$2.44 million, indicating a major upswing. Khosrowshahi expects to complete at least three custom homes in 2011.

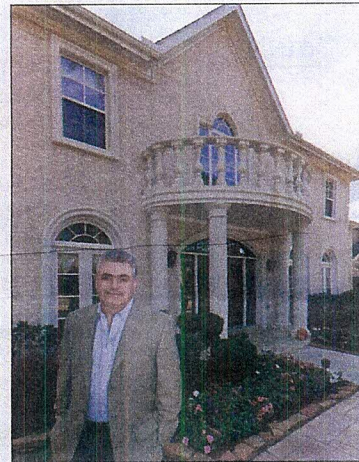
FROM THE GROUND UP

Khosrowshahi learned how to run a homebuilding business literally from the ground up.

After becoming disenchanted with his financial job at Chase Manhattan, he moved to Rhode Island to join a friend who owned a homebuilding company.

"I had decided that a 9-to-5 job in a large city wearing a suit every day was just not for me," he says.

Khosrowshahi took on every task relat-

**PROTEGE HOMES**

BUSINESS: Homebuilding and remodeling
FOUNDED: 2006
OWNER: Amir Khosrowshahi
EMPLOYEES: 1
2008 REVENUE: \$232,840
2009 REVENUE: \$570,087
2010 REVENUE: \$2.44 million (through June 30)
WEBSITE: www.protege-homes.com

ed to building a home, including digging holes, laying pipe, framing, installing tile, painting and reading blueprints. He also learned what happens on the business side when times get tough.

After about two and a half years, the housing market in Rhode Island hit hard times, and Khosrowshahi was laid off.

He moved to Houston in 1991 on the advice of an acquaintance, who hired him to work in a supervisory role for his homebuilding company.

It was there that he got exposure to other industry-related activities such as buying and delivering materials, and how to run a company from the administrative side.

"I learned a lot of things that I should be doing, and I also learned from others' mistakes the things that I shouldn't be doing," he says.

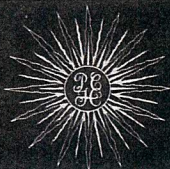
After several years of working for other companies, and later with a partner, Khosrowshahi branched off on his own with Protege Homes, with no inkling that the housing market was on the brink of such a downturn. But he never considered turning back.

"The pessimism in the air caught on with everybody, but I tried to be optimistic," Khosrowshahi says. "I was never scared, and I never considered getting out of the industry. This is all I know. The construction industry is my life, so I knew I had to stick with it."

Cornerstone's Cincotta says Khosrowshahi made all the right moves to maneuver through the downturn. And it's finally paying off.

"There are all types of builders out there," Cincotta says. "There are the aggressive ones that want to get as much business as they can and fill it as inexpensively as they can just to turn money. That's not Amir. He wants to get a good product out there, and people appreciate a good product, especially in these times." ■

TANYA RUTLEDGE is a Houston-based freelance writer



THE PETROLEUM CLUB OF HOUSTON GOLF TOURNAMENT THANKS THE PLAYERS AND SPONSORS!

October 19, 2010 - Petroleum Club of Houston Annual Golf Tournament at Redstone Golf Club

The Petroleum Club of Houston's most successful tournament to date!

Thanks to 144 players and more than 40 sponsors the Club was able to donate \$15,000 to Odyssey House, a treatment and education facility dedicated to helping families who have been devastated by drugs, alcohol and abuse.

Thank you to our sponsors:

Adams Resources/GulfMark Energy/Service Transport; Amegy Bank of Texas; Cameron; Capital One Bank; Chevron; Control Flow; Coushatta Casino Resort; Deloitte; Dynamic Offshore Resources; Frost Bank; Halliburton Energy Services; Hart Energy Publishing; Helis Oil & Gas; Houston Energy; JE Dunn Construction; Juneau Exploration; Key Energy; McCombs Energy; Newfield Exploration; Noble Energy; Petrolog; Red Willow Offshore; Schlumberger; Whiteside Capital; Walter Oil; Suncoast Land Services; Caperton USA; Decker Operating Company; Diamond Offshore; EnerVest; FairfieldNodal; Lab Lifts Crew Boats; LLOG Exploration; Geoffrey Lanceley; Geophysical Pursuit; Neuhaus Investment Company; O.G.E.C.; Optimistic Oil; Patrick B. Padon; Pedernales Production; Seismic Exchange; Westin Memorial City; AirTran Airlines

Thank you to the Golf Committee members:

Billy Harrison, Chairman; Dave Amend, Co-Chairman; Joseph Bailey; Jeff Caperton; Don Crow; Al Frederick; Steve Hill; Justin Renfrew-Hill; Gregg Lynch; Nell St. Cyr; Chuck Watson; Allen Wilhite

The Petroleum Club of Houston is a private club conveniently located in downtown. Since the Club was founded in 1946 it has been known for world class cuisine, elegant surroundings and a breathtaking skyline view. Members enjoy socializing with leaders in the energy industry as well as those in the legal, business, medical and other professions.

PETROLEUM CLUB OF HOUSTON

800 Bell, 43 Floor • Houston, TX 77002 • 713-659-1431 • www.pcoh.com • member@pcoh.com