

# Biz

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## IF HE BUILDS IT...

Carlos Jardino's homes are made to order—in record time. What's he know that others don't?

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CARLOS JARDINO

## Plan of attack

BY TED McINTYRE PHOTO BY DARREN WHEAR

Had Carlos Jardino been a Persian general around 340 BC, Alexander the Great would have been Alexander the Average. Such is the degree of research, preparation and execution of Jardino's plan of attack. Such are the efficiencies and the resulting speed with which his company, PCM, conducts its business of building luxury custom homes. Spend an hour with the man and you'll leave with the distinct sense that he knows how to do it better than anyone else, and he appears to be building a legacy to that effect as fast as he can build you a multi-million-dollar home with all the trimmings. Maybe it's in his blood, for few master builders have had an upbringing that better prepared them for this job.

Jardino was born in Mozambique during the tail end of Portugal's colonial control of the nation. "I remember living in nicer houses than this," he notes from his \$6 million showcase home on Brentwood Drive in Southeast Oakville. "I remember travelling with my uncle to collect the rent on the properties we owned, and going to Europe on vacation."

But with turbulent times on the horizon, power was handed to the Frelimo regime (the Mozambique Liberation Front), and the colonialists bade a hasty exit.

Jardino's family relocated to South Africa, where he grew up to graduate with a degree in mechanical engineering—all the while reaping the rewards of a symbiotic South African system that saw him recruited by a multinational Swiss firm specializing in electrical infrastructure and the manufacture of large power transformers.

"The set-up there was very similar to something you'd see in Germany, where the company recruits kids out of high school and pays for their studies," he explains. "They give you a little salary. As you pass your subjects, you get an increase in salary, so that the day you're finished, your salary is on par with the other engineers. If you don't like the company you can leave. But the retention rate is over 95 percent."

That included Jardino, who, at age 23, was transferred to Portugal to become the

youngest manager in the company. "They gave me a job as planning and purchasing manager for a large factory doing switchgear, which I knew nothing about. So they sent me to Sweden to train. That's when I was first introduced to things like planning and purchasing and activity-based management and costing—the whole works. I really enjoyed it, but the factory in Portugal wasn't big enough for some of the enterprise management-type systems used in Sweden, so I created my own planning system in Lotus 1-2-3 (a system he later sold to his and other German companies).

"Everything became interconnected—this guy supplying that guy; that guy supplying someone else. So you build customer relationships and start saving costs in each sector."

Jardino streamlined the company. The varying regulations and climate of each country required every transformer to be customized, so Jardino helped standardize 80 percent of the transformer parts, leaving only 20 percent to be customized. "It's not about reinventing the wheel," he says, "it's about changing the way it works. If you stick to your process costs and your productivity—that's enough to do well."

Conversely, few things are as unattractive to a lean entrepreneur as a fat company. "I remember going into our largest U.S. competitor's biggest transformer distri-

bution factory, where they were making about 1,000 transformers a day," Jardino recalls. "We were there as guests, and the production manager proudly took us through this monstrous robotic warehouse. I'd never seen anything like it in manufacturing. And I said, 'This means you have no control over your manufacturing processes. What do you need all this for? All the money for this material should be in the bank. The inventory should be on a truck on a highway somewhere. Are you in the warehouse business or the transformer business?' Seriously, unless you're invoicing, what's the point of over-producing? Or if you have the demand, but nothing's going out the door, you have to find where the bottleneck is. I've always enjoyed that sort of thing. Profit is nothing. What matters is profitability, which is the efficiency of your resources—your return on capital employed."

Jardino knows about efficiency. When he was transferred to Canada and began operating out of a factory in Guelph, Ontario Hydro asked for a quote for the production of a massive 750 MVA power transformer that typically took a year to deliver. "We started by quoting three months," Jardino says. "They laughed at us. They thought, 'You crazy Europeans.' We said, 'OK, we'll take the penalty if we're late. But you have to take a penalty if you're not ready to take the delivery—a \$5,000 storage charge a day.' I think we made more money on the storage charges than the unit itself."

Producing something quickly, however, doesn't mean quality has to suffer. In fact, it's been quite the opposite for Jardino, who took his organizational skills and branched out seven years ago into the luxury home building business, forming Project & Construction Management Inc. (PCM)—a decision motivated by a desire to reduce his travel and spend more time with his son and daughter (now 12 and 19 respectively) and his longtime best friend and wife, Alexandra.

Jardino's 10,000-square-foot Brentwood "showroom" is also his family's place of residence—designed by architect Michael Pettes to reflect the Beverly Hills mansions of the 1930s, while the interior is the work of the renowned Barbara Barry.

"There are no compromises," stresses Jardino, who has built the majority of his homes in the Oakville area. The ensuite near the entrance is outfitted with Kalista products—Kohler's most high-end line—including a \$2,000 toilet. There's a high-ceilinged garage with a hydraulic lift to store up to three cars on top of each other. There's a mechanical room with a backup generator. You can even take an

elevator downstairs to a gym and a stadium-seating theatre room with a \$42,000 big-screen TV with a sound system that generates 7,400 watts of power.

The entire home—inside and out—is wired with Bang & Olufsen sound equipment that links directly to the company's Denmark headquarters so that system upgrades can automatically take place overnight. There's so much of the company's equipment here that their main Toronto store has brought clients to Jardino's home to show off their wares.

The rope lighting that snakes its way around much of the layout, as well as 300 low-voltage pot lights, are from Lutron. The Ralph Lauren carpets are pure wool. Even the drywall has extra layers.

From mature cedars added to the backyard landscaping to the hardwood cabinet shelves in the kitchen, no detail has been missed. But it's not about opulence. There's a seamless, unobtrusive flow to the design and a comfortable lived-in feeling.

"And it's not even about the details or the quality," Jardino explains, "it's that it was all done in four and half months."

And there's the kicker. Whereas the average luxury custom home builder takes between nine months to a year to complete a project, PCM finishes the assignment in an average of 90 days—one home at a time.

"We don't build them fast; we build them at the proper speed," Jardino stresses. "This industry is so relaxed—that's why it takes so long. And when it takes a long time, *that's* when you miss things, forget details. We do it one at a time. That way our working capital needs are very low. And I pre-sell. I don't work on spec. I don't put out a lot of money and go around buying land like crazy. And when I'm not busy, I have no costs. No storage, no inventory, no overhead. I'd rather use my cash reserves to help finance a client."

The bottom line is more value at market costs. "Obviously we have slightly lower margins than the competition, but because we are faster our end result is much healthier than the industry norm."

That's a norm that doesn't sit well with Jardino. "The custom home industry is today what the automotive and heavy manufacturing industries were 20 to 30 years ago—that is, full of fat, and with clients who are willing to accept mediocrity. What PCM is doing is possibly the starting point of a revolution in this industry, where the old guard is going to die unless they decide to change."

As it has throughout his career, planning makes all the difference for Jardino.

"Before the project begins, after speaking with a client, I can usually guess within

two percent or less what the end costs are going to be. We always review schedules and designs, so when we go to build, there are no surprises. The minute the bulldozer arrives on site, that's when you start committing a lot of money and resources. A work in process has no value, so you want to finish in as little time as possible. But to do that you need a process, which has to be lean. We've cherry-picked a loyal team, and I pay them well and I pay them right away. I don't wait 30 days. So if they have three builders calling them for work, who do you think they'll come to first? And having the same people means they are accustomed to the way we do things.

"We buy the elite materials, which costs more," Jardino admits, "but the overall process cost is lower because we do it fast. It doesn't mean we're not flexible—we're actually even more flexible. When we do the floors, we mark up where the walls will be. Then the client does a walk-through, and they might say, 'I'd like this to be a bit bigger,' and we can accommodate that."

"I honestly believe that if you take a long time to do a house, you can't get this type of quality. If you're doing five houses at once, you will get distracted. It's human nature. But if you put all of your resources into one home, from start to finish, and you pay attention to all the lead times, you can order stuff way before you start. The dining room carpet was ordered from Nepal eight months before the house was finished. Same with the walnut cabinetry, which takes 12 to 14 weeks to produce properly. They already knew the dimensions down to the millimetre. The way most do it is to frame it, drywall it, then bring in the cabinet maker to take sizes, and then you decide on the final design. Now you've just lost three months."

"Building a house is not an art or a craft—it's a process," Jardino observes. "A custom home should be in tune. It's like that BMW in the driveway—a diesel engine. Its performance is as good as my V8, but it uses half the juice. It's a well-tuned, well-made, high-performance engine."

"But that's the mentality most manufacturers don't have anymore. It's all about throwing it away. It's like this cell phone," he says. "What's the lifetime of this? Maybe two years? Why? Why doesn't this work properly and last longer? I don't need the new version; I just want this one to work properly."

"Like this home. Two hundred years from now, this house will still be here."

Of course it will. Carlos Jardino planned it that way.

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