

**Page One Feature****Lennar Thrives as Oddball Culture Helps to Tie Home Builder Together****By EVAN PEREZ**

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MIAMI -- In the spring of last year, executives from **Lennar Corp.** gathered at a Dallas hotel to meet top managers of U.S. Home Corp., the giant home builder Lennar was about to acquire. Lennar's chief executive, Stuart Miller, sensed tension as the managers contemplated their role under the Lennar umbrella.

**Stuart Miller**

When his turn came to speak, the 43-year-old Mr. Miller plopped down on the floor of the conference room and coaxed his audience to join him for a reading of the Dr. Seuss classic, "Oh, the Places You'll Go!" "Congratulations!" he began. "Today is your day. You're off to great places! You're off and away!"

And so 130 division executives met their new boss. This was just their first glimpse of the peculiar culture that has taken root at Lennar, which has become the nation's No. 2 home builder in terms of revenue and units. Soon came the company song, sung to the tune of the University of Notre Dame fight song, inspirational books written by Mr. Miller under the pen name "Dr. Steuss" (a combination of Stuart and Seuss), and readings of the seven-stanza company poem, "Scratchings From the Little Red Hen."

Odd as they are, the traditions have helped strengthen and unify a company that has grown explosively in recent years. Since its founding in 1954 by Mr. Miller's father, Lennar has gobbled up more than two dozen rivals, and last year reached \$4.7 billion in revenue, second only to **Centex Corp.** of Dallas. Lennar's profits surged 32% last year to \$229 million, and are on track for another record this year, the company says. And during a generally lackluster time in the stock market, Lennar's share price has doubled over the past year, closing Thursday at \$45.13, up three cents in 4 p.m. New York Stock Exchange composite trading.

Scott Campbell, an analyst at Raymond James & Associates Inc., credits Lennar's culture with helping quickly integrate the company after the \$1.2 billion U.S. Home acquisition -- the home-building industry's largest ever. "I can't tell you what the Little Red Hen means," he says. "But I think it helps that everybody knows that little rhyme or that little jingle -- from Stuart Miller down to the secretary who answers the phone."

 See the complete poem "Scratchings From the Little Red Hen."

**Waiting for Worms**

In fact, the poem is adapted from the children's story about a hen who finds some grains of wheat and can't get any other animals to help her plant them. (" 'Look, Look!' she clucked. 'Who will help me plant this wheat?' 'Not I,' quacked the duck, and he waddled away," goes one popular version). In the company's spin -- printed on little cards that are distributed to all 7,000 employees -- the hen successfully digs for worms during a drought, while a big white rooster waits in vain for worms to come to him. The final stanza makes the corporate message explicit:

*Oh, here and there white roosters  
are still holding sales positions,  
They cannot do much business now,*

*because of poor conditions ...  
Meanwhile, the little red hens are out,  
a-gobbling up the worms.*

Diana Damiano, a sales manager in Palm Beach County, Fla., and a 17-year Lennar veteran, says reciting the company poem breaks the ice at lunches with employees from other parts of the company, such as construction workers. "We all have things in common because we work in Lennarland, this strange place," she says.

Despite the general economic downturn, many residential builders are posting gains thanks to low interest rates, rising housing prices, and continued strong sales of single-family homes. Lennar has also made some smart business moves in recent years. For example, the company, which specializes in low- to mid-price homes for subdivisions, offers floor plans with few choices on amenities such as tiles, moldings and appliances. In the 1990s, when many residential builders were boasting about customizing their floor plans, several of Lennar's competitors questioned its strategy. But it has paid off in cost savings and increased efficiency.

Lennar also correctly timed some of its big land purchases. The company entered the California market in the mid-1990s, just before the state's housing market rebounded from a long slump. Now, California accounts for about one-fifth of the 22,000 houses Lennar builds annually, and about one-quarter of its revenues. However, if the current softening of the housing market in the Northern California high-tech corridor spreads elsewhere in the state, Lennar could be vulnerable.

Mr. Miller -- whose 2000 salary was near the top in the industry, at \$3.4 million including bonuses -- says Lennar's oddball antics shouldn't be mistaken for a lack of discipline. He says employees are inculcated with the company's mantra to maximize return on net assets. Every month, each of 50 divisions sends Mr. Miller a one-page snapshot showing if it's meeting its financial goals. "There's a rhythm and a method to this wackiness," he says.

Still, the wackiness can be unnerving to outsiders who occasionally get pulled in to watch. "You feel like an idiot, and you think, 'These people do this every day?'" says Pat Schiewitz, head of the national home-building division of **Bank One** Corp. in Chicago, Lennar's lead banker for over a decade. But he says he has grown used to it. "It's part of their culture," he says.

### 'The Bankers Loved It'

Bruce Gross, chief financial officer, who joined Lennar with its 1997 acquisition of Pacific Greystone builders in California, says his fears about the acquisition were compounded by the rumors he heard of the lunacy at Lennar. He even tried to talk executives out of reciting the Little Red Hen before a bankers meeting that year, fearing it would harm the company's credibility. "I was very nervous, because I thought that these were things we did in our hallways and not in public," Mr. Gross says. "But the bankers loved it."

Less than three months later, Mr. Gross dressed up in a pink disco outfit for the company's Christmas video. "For the second time in my life, I wished for the death of disco," he says.

At Lennar's nondescript, four-story headquarters in a Miami subdivision, departments take turns hosting luncheons during which they perform skits based on books by Dr. Seuss or Dr. Steuss. (After complaints from representatives of the Dr. Seuss estate, Lennar two years ago agreed not to publish more copies of books under the Dr. Steuss name.) Last year's holiday video featured Mr. Miller's 68-year-old father, Chairman Leonard Miller, running around in a hen costume, leading executives in a rendition of, "Who Let The Hens Out?" to the tune of the hip-hop song "Who Let The Dogs Out?"

The elder Mr. Miller founded the company that became Lennar with a \$10,000 commission from selling some undeveloped lots in Dade County, Fla. (The name "Lennar" is a combination of "Leonard" and "Arnold," after co-founder Arnold Rosen, who retired in 1977 and still serves as a director.) Early on, the executive suite, where officers now throw footballs and dance to celebrate positive stock-market news, was buttoned-down. "In my day, you had to be more conservative," says the elder Mr. Miller, who maintains an office at Lennar's suburban-Miami headquarters.

The younger Mr. Miller started working for Lennar at the age of 12, when he took on landscaping and other odd jobs on Lennar construction sites to start saving money for his first car. Sensitive about being the boss's son, he insisted that the laborers on the job site not know who he was. After graduating from Harvard and the University of Miami law school, he joined Lennar full-time in 1982.

The next year, as director of commercial property leasing and sales manager for the company's Dade County division, Mr. Miller joined two other executives at a seminar at the Disney Institute, a management-training program run by **Walt Disney** Co. They came back impressed by Disney's philosophy that workers should be motivated to be friendly even while doing mundane, repetitive tasks. Back in Dade County, Mr. Miller introduced voluntary name badges modeled on those he saw at Disney. He says the badges, which bear first names and no job titles, were a way for Lennar salespeople to make customers feel comfortable.

Soon, the name badges also found a home at the company's headquarters, where the staff was becoming so large that not everyone knew one another. These days Mr. Miller, who became CEO in 1997, and other executives wear their badges anywhere their business takes them.

### **The Little Red Hen Arrives**

As for the Little Red Hen, the company says it doesn't know the author of its version, but that it dates back at least to 1984, when a manager in the company's Phoenix division began using it to inspire salespeople. When tough times hit the housing market between 1989 and 1991, Mr. Miller, who was then regional president of South Florida operations, suggested that other managers in the company use the poem as a tool to boost morale. He took it a step further in 1994, suggesting at a meeting of division managers that employees memorize the poem and recite it at company functions. "It's a very simple story," Mr. Miller says. "It speaks about challenges and how you deal with them."

At a recent luncheon in the company's Palm Beach division, a new construction supervisor breezed through the first few stanzas of his first public recitation of the Little Red Hen. When he stumbled, co-workers stepped in to help. "Bring it home!" they yelled as he reached the last stanza.

The company was put through its biggest test in 1992, when its Miami division became the target of criticism after Hurricane Andrew wiped out much of Miami's southern suburbs, leveling several subdivisions built by Lennar. Several homeowners filed lawsuits accusing the company of shoddy construction, and the state and Dade County launched investigations into Lennar's building practices. Eventually, the homeowners' lawsuits were settled by Lennar's insurers for an undisclosed sum, the company says. Lennar didn't admit wrongdoing. The county's investigation cleared the company, and the state's civil complaint against Lennar and eight other big builders was settled; Lennar paid \$50,000. Mr. Miller says the company built to the standards of the time.

### **Enter Dr. Seuss**

By the mid-1990s, Lennar was growing rapidly, but several divisions in Florida were missing sales targets. Worried that complacency had set in, Mr. Miller searched for new ways to keep employees motivated, and hit upon the Dr. Seuss books he was reading to his two children at the time. Initially, he would simply quote "Yertle the Turtle" in speeches about the vulnerability of being on top, and "Green Eggs and Ham," in speeches about persistence paying off. Then, tailoring the messages more closely to Lennar, he and other executives wrote their own nursery rhymes in the style of Dr. Seuss.

"Where's the Wow?" teaches that to stand out from a crowd requires ambition that can come only from within. A follow-up, "Where's the How?" tells of using research, practice and simplicity to succeed. The books, written under the name Dr. Steuss, are illustrated by the company's advertising firm and published in hardcover for internal use.

The U.S. Home acquisition is a new excuse to rhyme. Lennar is adopting U.S. Home's training program called "I Care." To mark the occasion, Mr. Miller wrote a poem that begins:

*I am once again excited  
For I've come to a conclusion  
Our new 'I Care' program  
Is our next revolution.*

At a training seminar for about 150 employees last month, Lennar decorated a Houston hotel conference room with a jungle theme modeled on the CBS television show "Survivor." Under a banner that read "In Search of RONA" (return on net assets), employees were drilled on the importance of meeting financial goals and taught how to deal with crisis situations and the news media. To break up the monotony, they put on skits and read poetry written by Mr. Miller and other managers.

Ron George, Lennar's tax director, declined to wear a name badge or recite the Little Red Hen until last year, his 25th at Lennar. "I was here before the name badges," he says. "I predated the Red Hen." He says he finally gave in to make sure no one would question his loyalty to the company.

Jim Lonergan, a former sales and marketing manager in the company's Palm Beach division, attended the 1994 meeting where Mr. Miller first suggested that all managers memorize the Little Red Hen. After 14 years with the company, he says, he had come to expect a traditional, professional sales atmosphere. It didn't help when Mr. Miller threw a four-inch-long, red-and-green Gummy worm at him during a meeting. As soon as the session wrapped up, Mr. Lonergan promptly quit his job. "He was like a kid with this c---," Mr. Lonergan says. "I guess it's hard to have things crammed down your throat that I would consider kids' stuff."

Today, Mr. Lonergan, who is retired, says he understands the role of Lennar's culture in tying the company together. He says he still owns Lennar stock and admires Mr. Miller's leadership. His son Jim Jr. is Lennar's director of construction in Palm Beach. Another son recently joined the company.

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## Scratchings From the Little Red Hen

Said the big white rooster,  
"Gosh, all hemlock, things are tough,  
Seems that worms are getting scarce  
and I cannot find enough.  
What's become of all those  
fat ones is a mystery to me;  
There were thousands through the rainy  
spell, but now where can they be?"

The little red hen, who heard him,  
didn't grumble or complain,  
She had gone through lots of dry spells,  
she has lived through floods of rain;  
So she flew up on the grindstone and  
she gave her claws a whet,  
And she said, "I've never seen a time  
there were no worms to get."

She picked a new and undug spot;  
the earth was hard and firm.  
The big white rooster jeered, "New ground!  
That's no place for a worm."  
The little red hen spread her feet,  
she dug fast and free.

"I must go to the worms," she said,  
"the worms won't come to me."

The rooster vainly spent his day,  
through habit by the ways,  
Where fat worms have passed in squads,  
back in the rainy days.  
When nightfall found him supperless,  
he growled in accents rough,  
"I'm hungry as a fowl can be,  
Conditions sure are tough."

He turned to the little red hen and said,  
"It's worse with you,  
For you're not only hungry,  
but you must be tired too.  
I rested while I watched for worms,  
so I feel fairly perk;  
But how are you? Without worms too?  
And after all that work?"

The little red hen hopped to her perch  
and dropped her eyes to sleep,  
And murmured, in a drowsy tone,  
"Young man, hear this and weep,  
I'm full of worms and happy, for I've  
dined both long and well,  
The worms were there, as always --  
but I had to dig like hell!"

Oh, here and there white roosters  
are still holding sales positions,  
They cannot do much business now,  
because of poor conditions.  
But as soon as things get right again,  
they'll sell a hundred firms --  
Meanwhile, the little red hens are out,  
a-gobbling up the worms.

*Source: Lennar Corp.*

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