WHY DO SO MANY MAKE IT SO COMPLICATED?

If managing a real estate company is fairly easy, why do so many leaders find the responsibility challenging, complex and a “less than desirable” job to fulfill? Why do so many CEOs feel more comfortable “getting involved” with process and minutiae? Why do many real estate organizations struggle to make money? The answer to these questions is fairly clear... real estate entrepreneurs typically are not great organizational leaders. Most real estate CEOs got to where they are today by developing, leasing, managing and/or financing, not by creating, implementing or monitoring process, or by managing others. However, many of these CEOs struggle today as they are now distant from their founding expertise and too close to the “B.S. of managing the business.” In several situations, the CEO has been very successful in recruiting great entrepreneurial talent. Unfortunately, they, like the CEO, “see no value in taking on the headaches of managing a company.” The net result... many real estate companies have leaders who don't want to lead, convoluted organizational structures, and less than achievable operating and financial performance.

The symptoms of real estate firms struggling with this challenge include: paralysis by analysis; fiefdoms; poor communications; higher than warranted employee turnover; resistance to change; missed opportunities; underperformance; and frustrations among some in senior management that “nothing gets done.” However, the best indication of this dilemma is whether the CEO/Founder is “having fun.” Whether one has 10 or 10,000 employees, real estate is a fun business... and if you're not having fun, it is time to make fundamental changes.

Over the past decade, CEL & Associates, Inc. has addressed and assisted in creating organizational and operational solutions for many companies facing this challenge. It is clear from the thousands of interviews conducted, analyses completed and solutions implemented, that there are six key actions which must occur.

Need To Acknowledge That There Is A Problem: Frequently, the CEO, COO or Division President initially believes that the “performance, productivity or communications problem” can be isolated within a specific department or region. In other cases, company leaders do not recognize how much control they have lost or how distant they have become from ongoing operations. In a few cases, senior leaders are in denial and believe that their non-performance issues are “what all our competitors are going through.” If your organization is not performing up to its potential and/or expectations; if your organization is experiencing declining morale or increased employee turnover; if your profitability and productivity are below industry benchmarks; or if your producers are not producing up to their historical or to market standards... your company has symptoms of underperformance.

Conduct A Thorough Organizational And Operational Assessment: Conducting an independent, unbiased review of: reporting relationships; leadership styles and abilities; levels of authority and responsibility; lines of communication; primary and secondary business practices; financial performance; staffing ratios; and employee satisfaction will reveal a wealth of valuable information.

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The primary contributors to a lack of performance or production will be highlighted. Issues pertaining to lower levels of productivity and factors that are likely to have a potential longterm impact on the organization's profitability can be isolated. The best way to conduct this assessment, however, is not to try to do it internally (too many agendas, personal biases and preconceived situations inevitably take over the process). Using an experienced real estate consultant will save you two, three, five, ten, even twenty times the cost of the study.

Determine Who Are The Real Leaders: In every real estate organization there are the official, designated leaders and the non-official, real leaders. Official leaders are those who: have the title, but command little or no respect; are perceived as unapproachable; have poor interpersonal skills; are not the greatest communicators; and are likely to criticize, versus praise, an employee. The real leaders are those: whom others follow and rely on for information and decisions; who operate in "my door is always open" style; who serve as a sounding board, resource and facilitator; who are relied upon to get even the most impossible tasks completed, and who provide a sense of stability in times of stress and crisis. The knowledge of who are the best leaders is a mandatory requirement of every growing real estate organization. Putting people in positions that they do better than anyone else is among the first steps in making the leadership of a real estate enterprise far less complicated.

Develop Clear Lines Of Authority And Accountability: One of the major contributors to underperformance is the unclear line of authority and accountability. Too often, phrases like "not my job," "I thought so-and-so was going to do it," or "I was not in the loop" find their way into "who was responsible" conversations. It is not uncommon to find senior or mid-level leaders declining direct responsibility. "I will help on this... but I'm really busy right now... and so-and-so can do a good job," statements are frequently heard. In essence, finding out who is truly accountable and who has real, not implied, authority to act, is the cornerstone of this task.

Utilize External Benchmarks To Monitor Performance: One of the biggest errors many real estate firms make is "managing to budget." When one manages to budget, the results are typically on or around budget. On-site, regional and division leaders, who are often judged by this measure, tend to "low ball" performance. Rather than asking, "What would it take to increase profitability 10, 15, 20 percent?" real estate companies tend to provide revenue and expense guidelines during the budgeting process. The fact that the achievable rental rate is 20 percent more than the budgeted rate is a fact that often does not get disclosed — particularly if one's bonus is based on meeting or beating budget. Why is a 40 percent employee turnover level acceptable? Why is a 10 percent operating profit level acceptable? Why should rents be "at market"? Answers to these questions and others have prompted many real estate firms to utilize external performance and management benchmarks to set expectation levels.

Fully Integrate Technology Throughout The Organization: Technology can be at times a blessing... but always a curse. When technology is seamless and working as

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designed/advertised, few seem to be aware. However, when the system is not working, too slow, not responsive to needs or inadequate for the workload, then IT has become "the" reason why everything else can't be done. A recent CEL & Associates, Inc. study revealed that 65% - 70% of real estate firms do not have a fully integrated IT platform and that all real estate firms are only utilizing 20% - 30% of the capabilities of their IT platform.

Conclusion: Real estate is not a complicated business... some have just made it so. Survival over the next decade is in direct correlation with the degree of complexity with which one runs the business. The more complex and challenging, the lower the probability of success and exceeding one's potential. The less complex and more focused an organization is toward creating value (versus managing internal processes and conflicts), the greater likelihood of achieving a competitive edge. Real estate is a great business to be in... isn't it time for those facing these challenges to start having some fun?

For more information on how CEL & Associates, Inc. can assist your company in facilitating the successful completion of these six steps, please contact us by calling 310.571.3113 or via email at chris@celassociates.com

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