



THE FORK IN THE ROAD

What do you do when you come to the proverbial fork in the road? Do you take the path less traveled or the path well worn by travelers before you? Do you seek the path of least resistance or the path of no return? Do you wait for others to pass and then follow their lead? Do you create your own path, or turn around and retrace your steps? Whatever your decision, it is important to remember that if you do not know where you are going, all paths lead there.

Today, many real estate companies are at a fork in the road. Uncertain on whether to: grow or hunker down; invest or stand on the sidelines; or reorganize or remain the same, some real estate organizations are mistakenly content treading water. Unsure of which business model to adopt, these firms vacillate between leading and following. Unfortunately, most of these organizations do not know or want to acknowledge that difficult decisions must be made if future success is to be assured. It is far easier to view the fork in the road as merely a curve, where the path of least resistance and denial is a much easier short-term solution. How many times have you heard the phrase, in the boardroom or a senior executive or partners' meeting, "if we had only known that, we would have made a different decision"? This expression reflects not a lack of knowledge, but an inability to convert information into knowledge and often a reluctance to step outside the box or a hesitancy to make a decision — thus avoid making a wrong decision.

The early 2000s are no different than the early 90s, early 80s or even the early 70s — all very challenging times that require visionary leadership and strategic actions

that manifest in future performance, profitability and productivity. Today's threat of global terrorism, unpredictable swings in the capital and stock markets, shifting customer loyalties, unforeseen bankruptcies and consolidations and ever-changing local, statewide, federal and international priorities do not and will not create stability. Change, uncertainty and surprises are the only sure bet over the next decade. Choosing the right path in now takes on new meaning and importance.

CEL & Associates, Inc. has identified 12 key strategies that can assure, if implemented properly, current as well as future success. Which path to take has now become very clear when these 12 strategies are adopted.

Leverage Your Customer Base: One of the most unused and untapped potential business opportunities is your customer base. From tenants to residents, lenders to vendors, and from investors to clients, the ability to vertically and horizontally strengthen and create valued, recurring relationships is available — every day! Leveraging one's customer base is more than sending them letters, calling them or keeping them on a mailing list. To truly capitalize and generate additional revenues and new business opportunities from existing customers requires trust. Providing solutions to your existing customers is far better than offering those customers a list of available services. Today, Best In Class firms have and/or are developing an in-depth knowledge of their customers and are committed to building recurring relationships. These relationships are built on performance not price, quality not convenience, and service not process.



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Focus On Operations: There is not one real estate organization in the U.S. that could not improve bottomline performance by 10 to 15 percent... today! It is amazing that in the rapidly changing workplace and competitive environment we experience daily, some real estate organizations still view growth rates 200 to 400 basis points above the Consumer Price Index or rate of inflation as good. A far disproportionate number of real estate firms today know very little about how much they should spend to stay competitive or what their productivity ratio is. Improving operations starts with reducing “handoffs” (e.g., the number of people that have to be involved before a decision can be made), increasing accountability, streamlining the organizational construct, eliminating fiefdoms, fully integrating technology and restructuring hiring practices. CEL & Associates, Inc.’s 2002 National Benchmark Report validated the benefits of becoming more efficient and effective with improved operations.

Increase Employee Productivity: Getting more for less is no longer an option, it is a requirement for success. However, improving employee productivity begins with the assumption that the characteristics, skills and capabilities needed for each position are clearly understood. Asking people to do more is a prescription for failure. Asking the “right” people to do more is a pathway to success. Real estate leaders today must require improved performance (or why spend money on training?). Real estate leaders need to eliminate jobs where the sole purpose is to supervise others. Real estate firms need individuals who can create, add and protect value, not personnel

who remind you how valuable they are. Real estate leaders must reduce paperwork, duplication of efforts and operational redundancy.

Grow Your Controlled Asset Base: While this strategy is easier said than done, and does not apply to everyone, the underlying premise is to “control one’s destiny.” CEL & Associates, Inc., over the past decade, has advised its clients to become less, not more, dependent on others. The current availability of capital, low interest rates and several transitioning industries (e.g., telecom, high-tech, transportation, etc.) are and will increasingly present opportunities to secure a controlled asset base. Literally every day, a CEL & Associates, Inc. client finds and/or consummates a “great deal.” It can be done... it is being done by others.

Reduce Corporate Overhead: Recent CEL & Associates, Inc. studies for clients have shown that overall corporate G&A can be reduced by 7 to 12 percent without impacting the level or quality of services being rendered. Expenditures for travel, conferences, overnight delivery services, administrative support, dues and subscriptions, overtime, supplies, technology support, etc. add up, but are rarely examined. However, reducing corporate overhead is much more than “tightening the screws,” it is rethinking business practices and processes. Seek Beneficial Strategic Partnerships: The key word in this strategy is “partnerships.” While many firms have formed strategic alliances, these relationships often do not work because there is no commitment to succeed and no risks if success is not achieved. Partnerships with WBEs and MBEs (nontraditional sources for business

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referrals), and those who possess unique/one-of-a-kind knowledge are essential now and in the future. However, for these relationships to work there must be something at risk that would “get everyone’s attention” if the venture fails. There is no better motivator than fear of failure.

Increase The Cost Of Disengagement: No one wants to lose an existing, valued customer or client. The best way to prevent or deter that event from happening is to get the customer or client so dependent on your firm, its talent and knowledge, that switching loyalties is perceived as “complicated,” “difficult to achieve” and “full of problems.” The more you can engage your customers and clients, the more planned and spontaneous interactions and “touches” you can achieve... the likelihood for a customer or client to switch firms becomes more remote.

Enhance Brand Equity: Improving and enhancing one’s image and identity has become very important in today’s “brand name preferred” business climate. Real estate firms are increasingly discovering that building brand equity begins with: a differentiating story; employees who personify the firm’s values and quality; standards of excellence; an internal and external communications plan; and unifying collateral materials. Enhancing brand equity requires an assigned and accountable leader. It will not “just occur.”

Improve Customer Satisfaction: A key strategy for the past 36 months, improving customer satisfaction is again near the top of the list for all Best In Class real estate firms. Customer satisfaction requires customer service standards, a customer- or

client-centric business model, hiring customer-based employees and a reward structure that recognizes customer service excellence. The voice of the customer must be hardwired into the organization.

Update Your Compensation Program: In today’s talent-based employment environment, having a proactive, contemporary, performance-based compensation program is essential. A recent CEL & Associates, Inc. study on annual incentive awards found that between 12 to 16 percent of bonuses paid should not have been paid if a more measurable compensation program had been in place. This year, many leading real estate organizations are expected to be committed to: implementing a more contemporary reward structure that will have multiple bonus options; Performance Scorecards; and a tiered salary structure with a floating market rate, adjustment factor. The shadow of the Sarbanes-Oxley Act is also impacting how real estate firms handle rewarding their key performers. If your company has not reviewed its compensation program recently, this may be the best time to do so.

Improve Leadership: Like the Army, real estate firms at all levels are a reflection of the individual(s) who lead them. Best In Class real estate firms have and continue to invest in developing new, and improving existing, leaders. However, in today’s “results-now” environment, leaders can no longer be given the benefit of time to perform. “I can’t wait two years for an individual to become a leader,” one CEO recently remarked, “I need individuals who possess leadership qualities that can be harvested in a very short period of time.”



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Unfortunately, in many real estate organizations, leadership and management have become one and as a result there are too many leaders managing and not enough managers leading. CEL & Associates, Inc.'s Leadership Assessment process has consistently shown that over 50 percent of today's "leaders" within the real estate industry don't lead... they enact, manage and fulfill the decisions of others.

Upgrade Communications: When was the last time your firm evaluated and enhanced its external and internal communications? Why do most firms ask their Communications Director to survey the effectiveness of the firm's communications (an obvious conflict of interest)? If the past is any indicator of the future, you would be

shocked to learn that there are individuals in your firm today who are communicating the wrong messages to the Company's internal and external customers. This year, a key strategy will be to dramatically (emphasizing the word dramatically) upgrade the overall level, quality and frequency of communications.

Conclusion: Taking the right path when one reaches a fork in the road requires a clear vision and strategies of what one's firm seeks to achieve and how it intends to exceed those expectations. The 12 strategies above are by no means all inclusive. Strategies on technology, capital, business development, etc. are equally important. However, the road to success becomes a lot clearer when these 12 strategies are embraced.

For more information on how CEL & Associates, Inc. can assist your firm in shaping the vision and key strategies for success, please contact us by calling 310.571.3113 or via email at chris@celassociates.com