



## NOW IS NOT THE TIME TO PLAY IT SAFE

**T**he last thing any real estate organization should do today is hunker down and miss an increasing abundance of growth and value-creating opportunities. Today is a time for leaders, entrepreneurs and contrarians... not followers, risk avoiders or status quo executives. Today is one of those unique times every decade in which one can capitalize on the emotions of uncertainty, fear and reluctance of one's competitors to take charge. Today is a time to reorganize, restructure, reposition and re-brand your organization to achieve greater productivity and profitability. Today is that moment when future stars, leaders and benchmark companies emerge. Today is the time to change... because tomorrow is too late.

According to a recent CEL & Associates, Inc. survey of "Business Strategies Within The Real Estate Industry" there are four types of real estate firms. Literally every real estate firm today can be assigned to one or more of the four categories.

**Those That Remain The Same:** Real estate firms that fall into this category essentially conduct their business affairs, approach customer relationships, embrace systems and processes, and rely on traditional ways of providing services, as they have done for the past 10, 15, 20 years or more. Resistant to change, generally reluctant to embrace technology and often avoiders of conflict, firms that are in this category always play it safe, however, sometimes to a fault. It is not uncommon for these real estate firms to over-analyze, second-guess and unnecessarily prolong decision-making. When the markets are good, these organizations are able to mask their shortcomings. When the markets are

in transition, these firms, unfortunately, are often on the sidelines looking in.

**Those That Follow:** Real estate firms that can be placed in this category are characterized by the way they make decisions. Far too often, these firms wait and make changes only after their competitors have already done so. Hesitant to make "change" an ally, these firms react to events created and controlled by others. "If XYZ Company offers this service, we need to add it" is a typical sound byte from these firms. Profitability in these companies is generally below industry standards, and they finish second more often than they finish first.

**Those That Adapt:** While "follower" real estate organizations (described above) make changes, they typically never embrace or fundamentally change the way they conduct business. Real estate firms, on the other hand, that adapt and modify their business model and service/ product delivery platform are far more likely to achieve short-term successes. "Adapters" generally survive, but do not seem able to fully capitalize on their platform or realize their potential. Firms in this category tend to have a balance of good and not-so-good employees – which results in a good, but not-so-great, financial performance. In the 1990s, many of the mid-sized firms in this category were either acquired by the national service firms or went public.

**Those That Lead:** Labeled the "White Tigers" by some, this rare breed of real estate firm never plays it safe. Creating, innovating, and setting the benchmarks for others to seek to achieve, these firms are always seeking opportunities and making investments in the future. Attracting the



## **NOW IS NOT THE TIME TO PLAY IT SAFE** *(Continued)*

best and the brightest, these firms are aggressively capitalizing on the plethora of opportunities available today. Flexible, nimble and always creating (versus willing to) change, White Tiger real estate firms are destined to be the standard upon which performance is compared and judged.

How would you categorize your firm today? What type of firm do you seek to become? Are you willing to step out of your comfort zone? Now is not the time to play it safe!

To take advantage of the emerging opportunities of today and tomorrow, there are many attributes one must adopt. CEL & Associates, Inc. has selected, and described below, six of nearly 20 operating priorities for real estate firms today.

**Don't Seek Perfection... Seek Confirmation:** Too many real estate firms today are constantly fine-tuning their products and services because they mistakenly believe that the highest quality counts the most. According to the feedback received from nearly a decade of surveying customer opinions, CEL & Associates, Inc. discovered that customers of real estate firms want products and services that meet their needs, not the perceived needs as determined by the real estate organization. Customers of real estate firms (e.g., tenants, residents, building owners) want confirmation that their needs have or will be met. That confirmation can be expressed in the customized features/options available to that customer, or in the quality of the relationship between the customer and the real estate firm... not in having the perfect product or service.

**Customer Experience Matters:** Real estate firms that are destined to lead over the next decade understand that the

interactive experience between the customer and the real estate organization is more valuable than the experience of the service provider. Real estate customers want honesty and actions that demonstrate that their interests have a higher priority than the interests of the service provider. How customers are treated, the quality of the relationship, the frequency of communications, and the experiences incurred during each customer/service provider interaction are keys to future success.

**Customers, Not Buildings, Must Be The Highest Priority:** Today's Best In Class real estate firms have cast aside, or are in the process of casting aside, the geo-centric and/or asset-centric business models of the past. These leading firms have embraced a client-centric business model that revolves entirely around seeking, obtaining, serving, expanding and retaining customers. Buildings don't sign leases or pay rent... people do. Leases or sales agreements don't negotiate... people do. Everything in real estate revolves around the customer (internal and external). Brokerage firms that continue to relinquish the customer relationship to an independent contractor, for example, are the antithesis of what must occur.

**Compensation Plans Must Achieve An Alignment Of Interests:** Over 70 percent of today's compensation plans within the real estate industry are not designed to fulfill a long-term vision or encourage performance that achieves the desired results. Subjective and discretionary incentives do not motivate outstanding performance. Qualitative versus quantitative goals do not encourage 110% efforts. Interpretative evaluations, use of irrelevant performance criteria and an



## **NOW IS NOT THE TIME TO PLAY IT SAFE** *(Continued)*

absence of external benchmarking are characteristics of a compensation plan that is not reflective of today's rapidly changing workplace environment. Today's leading real estate firms are not afraid of confronting tradition, historical precedents or "what's-in-it-for-me" compensation plans. Performance scorecards, benchmarks and measurable indices are the new governors of performance.

**Dump The Skunks:** How long should you or any real estate organization keep unproductive and/or underperforming employees or brokers? How long before the activities of an unproductive or underperforming professional negatively affect the performance of others? In today's challenging and highly competitive environment, keeping unproductive and/or underperforming individuals a day longer than the moment in time one recognizes that they are very likely not going to succeed is too long. Leading real estate firms frequently reach out to experienced real estate consultants to develop and assist in the implementation of a screening process that objectively identifies the individuals who are not performing. Over the past 30 years, the principals of CEL & Associates, Inc. have consistently observed that internally driven reorganizations, restructurings and re-engineering projects are best handled by experienced

professionals. Why? Because they have no historical bias or agenda to promote. The results, however, are the first step in re-energizing a future Best In Class firm.

**Hire Talent That Challenges The Status Quo:** One of the worst mistakes any real estate firm can make is "dumbing down" the talent pool for fear of disturbing the status quo. Leading real estate firms seek individuals who are creative, entrepreneurial, self-motivated, knowledge seeking and continually improving. "Why would we hire people who stay silent or just nod their heads and do as they are told?" one CEO told CEL & Associates, Inc. Passion for the business comes from the heart and from a desire to never be satisfied with status quo. Unfortunately, the hiring practices of 75 percent of real estate firms reflect the same hiring practices deployed in the 1970s, 1980s and 1990s.

**Conclusion:** Now is perhaps the best time to be in the real estate industry. Now is not the time to play it safe. Real estate organizations that have a clear vision, an embraced long-range business plan, competitive strategies, outstanding talent, and have embraced the six attributes described above will have a competitive advantage in the years ahead. Those firms that sit on the sidelines waiting for the market to turn will forever be spectators in the new real estate game.