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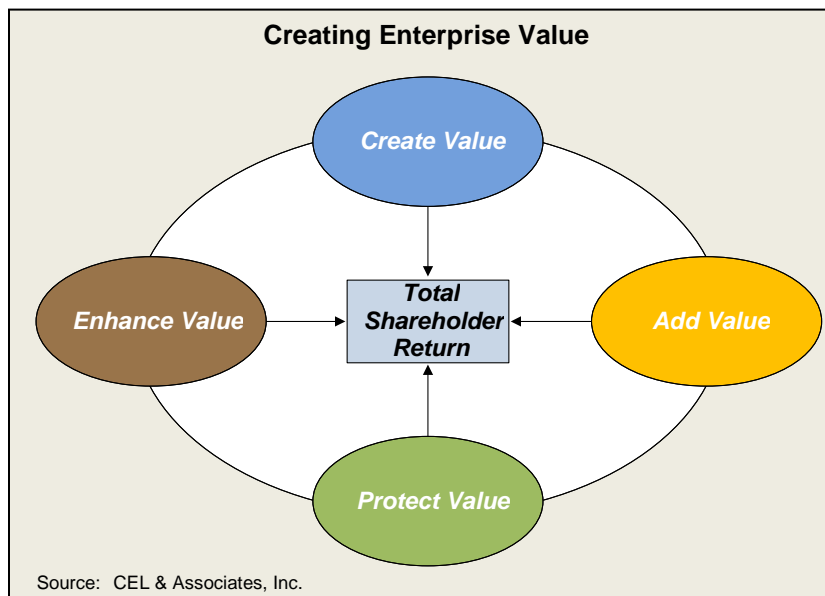
The Six Ps For Success

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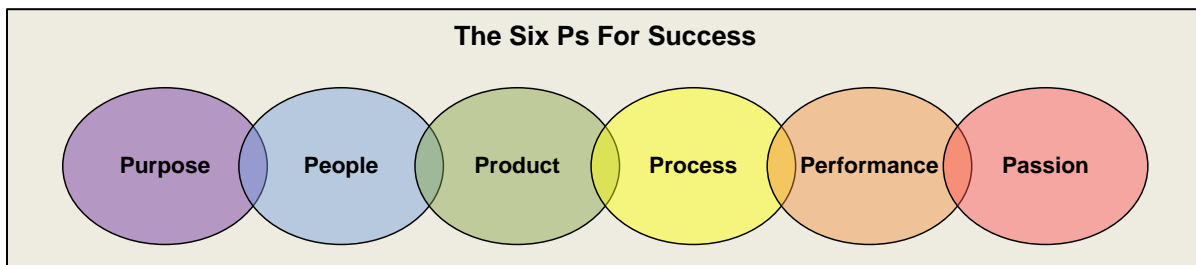
Friends & Colleagues:

There is a part in each of us that wants the impossible to happen, our dreams and aspirations to materialize and the unexpected to actualize the way we plan. As a member of the exclusive club of real estate leaders, professionals and practitioners, you take actions every day that remind us that much of one's work is anticipating and reacting to surprises and the unexpected. In 2015, the U.S. economy will mirror Shakespeare's infamous text in *Macbeth*, "...a tale...full of sound and fury...signifying nothing." The next 12 months will be a Charles Dickens-like *Tale of Two Cities*. On one side, the overall real GDP growth rate will be over 3%. On the other side, median household incomes are nearly the same as in 1989. On one side, the unemployment rate has fallen. On the other side, the labor force participation rate is the lowest since 1978. On one side, the U6 unemployment rate is around 11%. On the other side, over 100 million Americans receive some form of "means-tested" government assistance. On one side, there is an abundance of capital looking for real estate opportunities. On the other side, it is becoming increasingly hard to find opportunities that "pencil out." **Yes...2015 will be a year of contrasts, contradictions and complexities.** This is the **New Normal** and creating enterprise value requires careful blending of these four concepts: Create Value, Add Value, Protect Value, and Enhance Value.



However, despite the rapidly changing marketplace and economic environment, **the real estate industry is in the sixth or seventh inning of a nine-inning game before the next downturn.** Approximately 36 months remain (see the 2010 issue of [Strategic Advantage](#) for details). Over the next two to three years, real estate investors, service providers, operators and **leaders at all levels must plan for the eventual downturn and take steps now to survive and prosper through the cycle change.** Real estate firms must start now. Remember, the first step to change is awareness. The second step is acceptance, and the third step is taking action. To quote the famous rock-and-roll philosopher, **Mick Jagger, “You can’t always get what you want,” but in 2015, I believe you can always “get what you need.”**

The key to success in 2015 is to embrace the “Six Ps” (Purpose, People, Product, Process, Performance and Passion). It is critical to master the ability to learn from previous experiences; and to quote philosopher George Santayana, “Those who cannot remember the past are condemned to repeat it.” The graphics and content which follow will “move the needle” toward improved results, increased enterprise value and brand differentiation/relevance in 2015 and the years to come.



PURPOSE

Pablo Picasso said, “The purpose of art is washing the dust of daily life off our souls.” John F. Kennedy stated, “Efforts and courage are not enough without purpose or direction.” **Within the real estate industry, purpose is defined as the ability to create value and/or a customer and grow that value and relationship.** In 2015, any real estate firm that does not have a clear three- to five-year vision statement, a set of governing principles or core values and a core purpose, cannot compete, will underperform its potential and rapidly become irrelevant. While values never change, **a clear vision and purpose statements add clarity, focus, priorities and guidance.**



A well-conceived vision statement has two key elements: a core ideology (values and purpose); and an envisioned future (what we seek to accomplish/achieve). Great real estate companies talk about aspirations, achievements and relationships, not just this month’s earnings or transactions. There is a difference between annual or three-year goals, and doing things that have not yet been done. In 2015, real estate firms must believe in their potential, not just conducting business the same way...only better. **A great vision statement must be measurable, memorable and motivating.** It has to create an image of what can be rather than what was. Determining a true and valued vision statement cannot be done over coffee at Starbucks, and it generally

can be far better when an experienced real estate management consultant is facilitating the process. This year, 2015, is the best time to set a vision and define a purpose. Getting ready for the next cycle begins now. What are you waiting for?

PEOPLE

The real estate industry has discovered that the 80/20 rule (80% of the work is done by 20% of the workforce) cannot apply to talent in the New Normal. Those who view talent as merely filling a box on an organization chart or filling an empty office or cubicle should not be surprised with less than stellar performance. Talent management is far more than a

collection of employees. Talent management consists of a collaborative team of professionals who seek ways to perfect and express their knowledge, experience and skills. **In 2015, real estate companies must elevate talent management to one of the top three organizational priorities.** Managing those gifted with leadership and skills mandates strategies that place qualitative solutions over quantitative personnel actions. Getting the right people in the right positions at the right time must be the goal. **Over the next 24 months, one of the biggest talent challenges will be to address the growing skills gap.** There are many candidates but far too few qualified candidates. In 2015, matching jobs with exceptional talent must be a priority. Moving the needle from 80/20 to even 60/40 or 50/50 should be a core strategy in 2015.

Today's CEOs and Boards of Directors increasingly view human resources as a C-Suite business driver and competitive differentiation. The sum total of the following nine talent management strategies is a deliberate and systematic effort by one's organization to ensure leadership continuity, encourage individual advancement and maximize organizational and operational performance. **In 2015, the successful design and implementation of nine key people strategies will not only assure success, but it will develop new opportunities that create value for all Stakeholders.** Let's examine these strategies in greater detail.

2015 Talent Management

Must be focused on:

- Recruitment/hiring practices
- Retention
- Training and mentorship
- Performance feedback
- Technology
- Recognition and rewards
- Succession
- Talent Analytics
- Culture and values
- Communications
- Career pathing
- Talent mapping and optimization

Source: CEL & Associates, Inc.

A Great Culture Has...

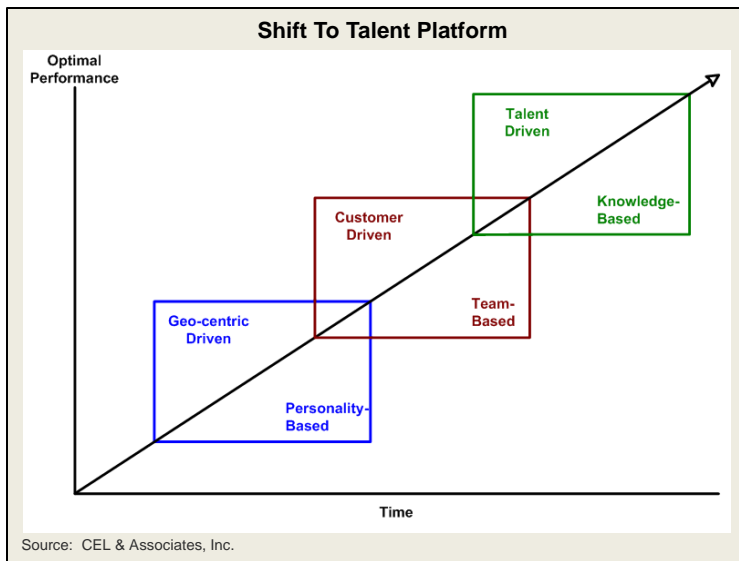
- A clear vision, priorities and purpose.
- Stated and embraced values.
- An alignment between business practices and values.
- Talent who share and personify the values.
- A workplace environment where people want to work.
- Leadership which embraces the organization's core principles.
- A dynamic organizational structure.

Recruitment & Hiring Practices: The use of technology, social media and professional networks is becoming a more popular sourcing channel for talent. Specialized recruiters, industry job boards and word-of-mouth referrals are utilized as well as other outreach programs. All these avenues and methods must be robust, contemporary and tell the reason "why" joining one's firm can and will make a positive difference in a candidate's career goals and life. Creating a "career story," a joint plan for success or a path to advancement can be useful tools. Offering a cafeteria-style menu of compensation and benefits programs provides greater appeal to current and prospective employees. Use of video interviewing, online assessments, psychological testing and synchronous interviewing are increasing in popularity. Specialized hiring teams, application of core competency hiring processes and utilization of various technologies to "meet them where they live" are



invaluable business practices for real estate firms seeking exceptional talent. Perhaps the more successful hiring tactic that many Human Resource Directors and Talent Managers have deployed is **hiring talent who are “like us”...candidates who have the same values, similar work ethnics, aligned motivation and a shared commitment to excellence and service.**

Retention: There is a direct correlation between strong hiring practices and employee satisfaction and employee retention. While hiring the right individual is an essential first step, retaining and “getting the most value” from each new hire and current Associate or Executive is equally as important. As the economy and perceived new career opportunity options improve, voluntary resignations in the real estate industry are nearing the same level as were experienced pre-recession.



Managing the dynamics of a multi-generational workforce will be a determining factor of successful employee retention. **Today’s workplace is 180 degrees different from what was experienced by current CEOs and Senior leaders 10, 15 or 20 years ago.** Consequently, real estate firms are awash with conflicting voices, opinions, perspectives and outlooks. **This generational melting pot of employees is at a level never experienced in the past 50 years.** Retention in 2015 should be focused on breaking down self-imposed barriers between generations, thereby eliminating the current horizontal, spatially compacted workplace environment. The average turnover cost in the real estate industry can range between 75% - 100% of base salary (when all costs are included). Best-in-class employee retention is, at its core, all about effective hiring practices (50% - 60% of poor hires should have been caught before the employee was hired); robust employee recognition, training and mentorship programs; corporate transparency; and a robust internal communications platform.

Employee Retention

Includes, but not limited to:

- ✓ Stock ownership (real or phantom)
- ✓ Profit sharing
- ✓ Deferred compensation plans
- ✓ Quality of benefits
- ✓ Investment opportunities
- ✓ 401(k) plan contributions
- ✓ Office location
- ✓ Layout and amenities
- ✓ Reimbursables for professional development

To paraphrase Arthur Schopenhauer, **good employees can hit a target no one else can hit...great talent can hit a target no one else can see.**

Training: The cost of training employees within the real estate industry is up 8% - 11% over the prior year. While increased training costs are often an indication of a higher level of new employees, 70% or so of training costs are a result of today’s “skills supply chain gap.” Most Human Resources Directors agree **that it can take three – five years to fully train an employee in their current position.** In 2015, real estate firms must

“step up their game” in the area of training and mentorship. Use of industry-sponsored training classes, online training options, virtual learning, use of MOOCs and structured mentorship programs are essential. **One of the biggest complaints or concerns expressed by real estate Talent Management leaders is that college graduates are not “job-ready,” and new hires under 30 years of age “have significant skill gaps.”** Increasingly, employers (today around 17%) consider online education to be as valuable as in-class education. Firms such as LinkedIn are likely to take a greater role in “basic skills training” classes, and MOOCs such as NovoEd are now offering classes

directly from the Stanford Business School. Yahoo is reimbursing employees for the cost of online courses from Coursera. Real Estate CEOs want leaner and more immediate payback for training, and, according to a recent CEL & Associates, Inc. survey, they expect to spend more money on training in the years ahead. In 2015, real estate firms must have a formal training plan, training standards and training metrics if they expect to increase employee productivity and performance.

Performance Feedback:

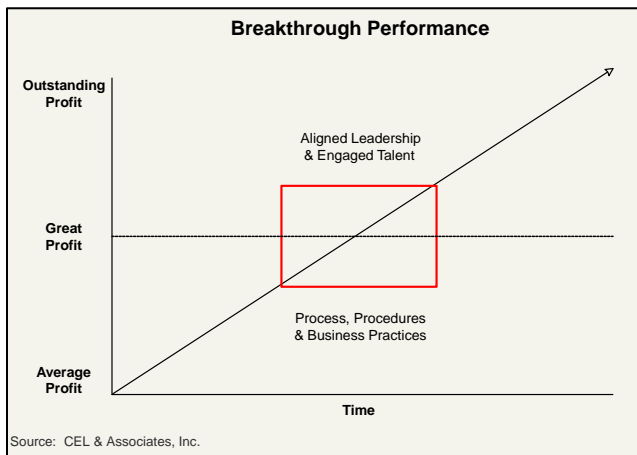
According to several recent CEL & Associates, Inc.

surveys, **87% – 90% of today’s real estate employees (at all levels) “want quantifiable metrics” to evaluate their performance.** Subjective or qualitative assessments are not embraced by the vast majority of employees. The purpose of an employee evaluation from an *employer’s* perspective is to

Changing Business Paradigm	
Old School	New School
Fine-tune existing practices	→ Re-invent existing practices
Manage opportunities	→ Create opportunities
Focus on competitors	→ Focus on customers
Legacy systems and policies	→ Value-creating systems and processes
Connected by employment	→ Connected by a motivating vision
Success as a goal	→ Success as a recurring outcome
Individual aspirations	→ Collective purpose and alignment
Keeping score	→ Shaping a future
Trying to change how people think	→ Trying to get people to think differently
Process and procedures	→ Flexibility and customization

Source: CEL & Associates, Inc.

determine whether an employee’s skill set and motivation are appropriately matched to the job. If done annually, performance feedback can assess an employee’s strengths and weaknesses; identify training opportunities/needs; assist in workforce planning; measure the success on current continuous learning initiatives; and set the stage for recognition, incentive awards and compensation adjustment. Did you know that **nearly 60% of today’s real estate firms do not have a formal and/or timely performance evaluation process** that rigorously adheres to a process and schedule? It should be no surprise, statistics show that the real estate industry has a



25% - 35% overall employee turnover ratio. This needs to drop to less than 20%.

Technology: Use of technology for recruitment, training, employee screening, benefits sign-up and talent management has accelerated over the past 24 months. **I do not expect breakthrough HR technologies in 2015,** but I do expect to see many refinements on core technologies that are more user-friendly and interactive. Social media will have an increasingly important role in recruitment, and tools that enable a more real-time monitoring and measurement of performance will be essential in 2015. Going mobile, having Employee Handbooks available in real time, staging “instant

Shifts In Talent Management	
<i>Old Way</i>	<i>New Way</i>
❑ Standardized Policies	→ ❑ Governing Practices
❑ Standardized Training	→ ❑ Personalized Improvement
❑ Check-The-Box Hiring	→ ❑ Core Competency & Values Hiring
❑ One Week Onboarding	→ ❑ Never-Ending Onboarding
❑ Training As A Cost	→ ❑ Training As An Investment
❑ Orchestrated Practices	→ ❑ Orchestrated People
❑ Human Resources	→ ❑ Talent Management
❑ Set Procedures	→ ❑ Ingrained Behaviors
❑ On-High Directives	→ ❑ Engaged Solutions
❑ On-High Decisions	→ ❑ Collaborative Decisions
❑ One Star	→ ❑ Galaxy Of Stars

Source: CEL & Associates, Inc.



training moments” and the ability to generate a new set of performance measures must be priorities for every real estate firm over the next year. Most HRMS systems are five to seven years old and should be replaced or upgraded in 2015. Many real estate firms will gravitate toward cloud-based HR software that enables a more consumer-like experience for employees. Managing human capital in

Commercial Turnover Rates

Employee Turnover Rate	Overall Rate	Senior Executive	Regional Executive	On-Site Manager	On-Site Maintenance
2000 Average	34.5%	5.8%	9.2%	18.3%	39.3%
2001 Average	32.5%	5.2%	8.4%	17.2%	37.9%
2002 Average	34.3%	5.4%	7.6%	16.1%	36.7%
2003 Average	29.1%	4.9%	7.3%	17.4%	35.2%
2004 Average	28.4%	4.2%	6.9%	16.6%	34.4%
2005 Average	29.2%	4.1%	7.1%	17.1%	33.7%
2006 Average	27.9%	3.8%	6.8%	16.8%	31.9%
2007 Average	28.5%	3.9%	7.0%	17.9%	32.5%
2008 Average	31.1%	4.4%	7.2%	19.4%	33.8%
2009 Average	33.4%	5.0%	7.3%	19.1%	34.9%
2010 Average	27.9%	4.0%	6.3%	16.4%	29.7%
2011 Average	29.7%	4.3%	6.9%	17.6%	30.5%
2012 Average	30.2%	4.0%	7.3%	18.0%	31.7%
2013 Average	30.6%	4.1%	7.1%	18.1%	32.3%
2014 Average	30.4%	4.1%	7.0%	18.2%	31.9%
2015 Average*	30.7%	4.3%	7.2%	18.6%	32.3%

* Projected.
Source: CEL & Associates, Inc.

2015 and beyond is one of the top five priorities of real estate CEOs nationwide, according to recent CEL & Associates, Inc. surveys. Over the next year, human capital will shift from the file cabinet to the cloud.

Recognition & Rewards: Fact: Every employee of a real estate firm today wants to be valued, appreciated, acknowledged and rewarded for their efforts and contributions. It is very important to recognize the performance of individuals, teams, departments and groups regularly and annually. In 2014, employees overwhelming

expressed a preference/need for a recognition program. According to recent CEL & Associates, Inc. surveys of employee satisfaction in the real estate industry, there is a direct correlation between employee satisfaction, employee turnover and employee motivation and the presence of an employee recognition program.

Nearly 65% of companies today have employee recognition programs. Over 80% of real estate employees indicate that being recognized made them “more satisfied with their work.” In 2014, 68% of real estate employees felt that their work effort “wasn’t recognized” properly. Infrequent recognition has far less impact than regular contact with employees. Over 50% of employees indicated that the absence of recognition is one of the key reasons for searching for “greener pastures.” **Only 27% of real estate firms give their leaders autonomy to reward and**

recognize exceptional performance as it occurs.

Company culture plays a significant role in creating a workplace environment that is embraced by all employees. In 2015, recognition is not a “have-to-do” action... it is a “must-do” in order to be an integral part of every company’s DNA.

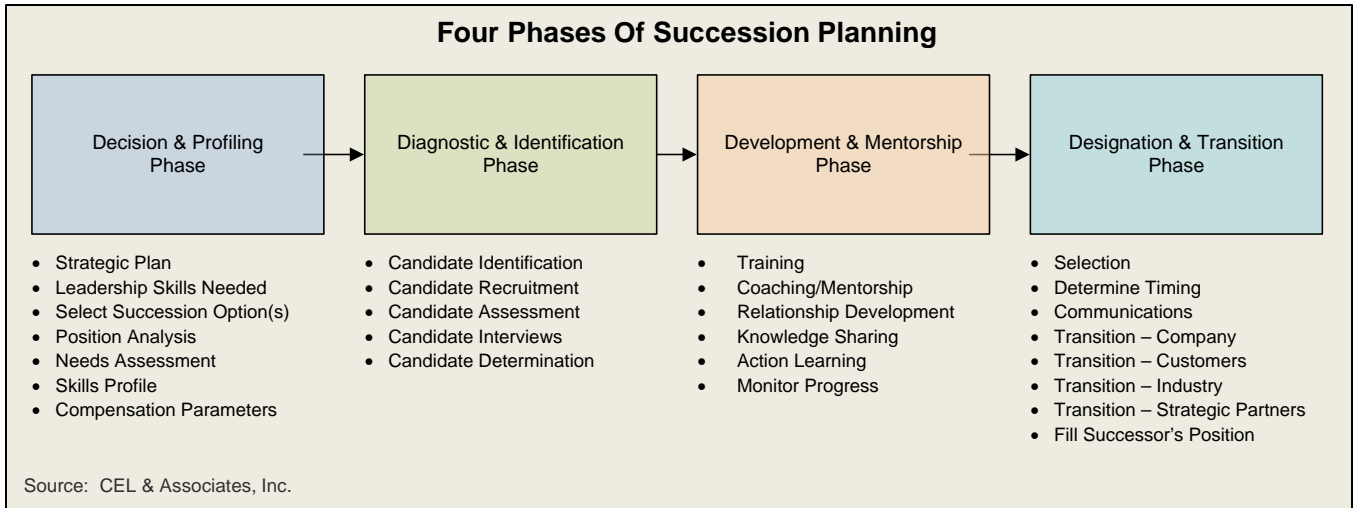
Multifamily Turnover Rates

Employee Turnover Rate	Overall Rate	Senior Executive	Regional Executive	On-Site Manager	On-Site Leasing	On-Site Maintenance
2000 Average	40.3%	8.4%	10.8%	22.0%	35.5%	44.2%
2001 Average	38.3%	7.8%	9.7%	19.6%	31.6%	41.5%
2002 Average	37.0%	7.4%	10.4%	20.3%	32.5%	41.0%
2003 Average	33.1%	5.5%	8.6%	18.5%	27.6%	37.9%
2004 Average	31.8%	5.2%	9.0%	19.7%	28.9%	38.6%
2005 Average	32.1%	5.2%	9.1%	20.2%	30.3%	38.4%
2006 Average	30.2%	4.4%	8.3%	19.1%	30.8%	37.5%
2007 Average	30.4%	4.1%	8.2%	20.4%	29.3%	35.5%
2008 Average	33.4%	5.2%	8.9%	21.9%	32.4%	37.5%
2009 Average	36.5%	5.8%	8.9%	22.1%	32.8%	38.6%
2010 Average	28.6%	4.1%	6.7%	18.3%	27.8%	33.5%
2011 Average	30.0%	4.7%	7.1%	20.1%	29.9%	35.2%
2012 Average	31.0%	4.6%	7.7%	20.8%	30.3%	35.6%
2013 Average	31.7%	4.5%	7.9%	21.5%	30.8%	35.8%
2014 Average	32.4%	4.7%	8.1%	22.3%	31.3%	36.6%
2015 Average*	32.7%	4.9%	8.4%	22.6%	31.7%	37.1%

* Projected.
Source: CEL & Associates, Inc.

“The greater danger for most of us lies not in setting our aim too high and falling short; but in setting our aim too low, and achieving our mark.

Michelangelo



Succession Planning: Succession planning is not an event...it is an ongoing process that takes place over several years. Succession planning is less about designating a successor and more about leadership development that assures business continuity. Succession planning is a recurring process that defines, shapes and ultimately determines an organization's future. **Real estate firms without a formal succession plan for each mission-critical position can be at financial risk.** Without a succession plan, a company faces an increasing risk for a lack of alignment between the firm's strategic vision/goals and the existing talent pool. Without a formal succession planning process, an organization is likely to underachieve its potential and increase the likelihood that next-generation leaders will leave.

In today's New Normal, successful real estate firms plan future actions, but they do not plan results. According to many analysts, only 30% of firms survive into the second generation, only 12% survive into the third generation and only 3% of firms survive into the fourth generation. The issue regarding succession planning is not awareness, but implementation. Stanford University's Rock Center for Corporate Governance found in a recent study of public firms that only 54% of CEOs were actively grooming a successor...and 39% of respondents cited that they have "zero" viable internal candidates. Surprisingly, 65% of respondents have not asked an internal candidate whether they would want to be the CEO and if offered the position, would they accept. **Today, the future for thousands of local, regional and national real estate firms is at risk due to the inability and/or unwillingness to create a viable succession plan for all mission critical positions.**

Real Estate Employers Are Seeking Those Who Have...

<input type="checkbox"/> Knowledge of the business	<input type="checkbox"/> Leadership skills
<input type="checkbox"/> Cultural fit qualities...and shared values	<input type="checkbox"/> Multi-tasking skills
<input type="checkbox"/> Technological proficiency	<input type="checkbox"/> Customer service skills
<input type="checkbox"/> Bottom-line focus	<input type="checkbox"/> Relationship skills
<input type="checkbox"/> A passion for the business	<input type="checkbox"/> Data interpretation skills
<input type="checkbox"/> Business acumen...global perspective	<input type="checkbox"/> Communication skills
<input type="checkbox"/> Growth / career potential	<input type="checkbox"/> Solutions mentality
<input type="checkbox"/> A desire to be a contributing member of a team	<input type="checkbox"/> Collaborative mindset

Source: CEL & Associates, Inc.

Did you know that in the real estate industry, 82% of large firms (1,000+ employees) have a formal succession plan? However, only 15% of firms with less than 1,000 employees have a formal plan for succession. More surprisingly, **85% of firms with a formal succession plan have a plan only for the CEO.** Of the real estate firms with formal succession plans, 65% have not communicated that plan to the firm. In five years, by 2020, nearly 60% of today's real estate CEOs plan to retire or phase down, and only **44% of all real estate CEOs are "very satisfied" with their entire senior management team.** We are entering a period (2015 – 2020) of incredible leadership transition with very few firms ready for that eventuality.

Succession planning is an insurance policy for continued business growth and prosperity. **A succession plan is essential for anyone desirous of realizing the full potential of his or her organization.** It is not easy to find next-generation leaders who have an “ownership” mentality. Now more than ever, real estate firms must prepare for a future that is rapidly approaching.

Real Estate Service Company Trends 2015 – 2020
□ Further consolidation and legacy exits.
□ Larger service providers will shift to a more financial services model.
□ Dramatic increase in website optimization and data mining.
□ Growing focus on specialization and service niches.
□ Continued movement of talent (last 10 years syndrome).
□ Further client consolidation (downsizing of Corporate America).
□ Increasing focus on brand management and technology.
□ Growing value being attributed to “Research” and knowledge-based outcomes.

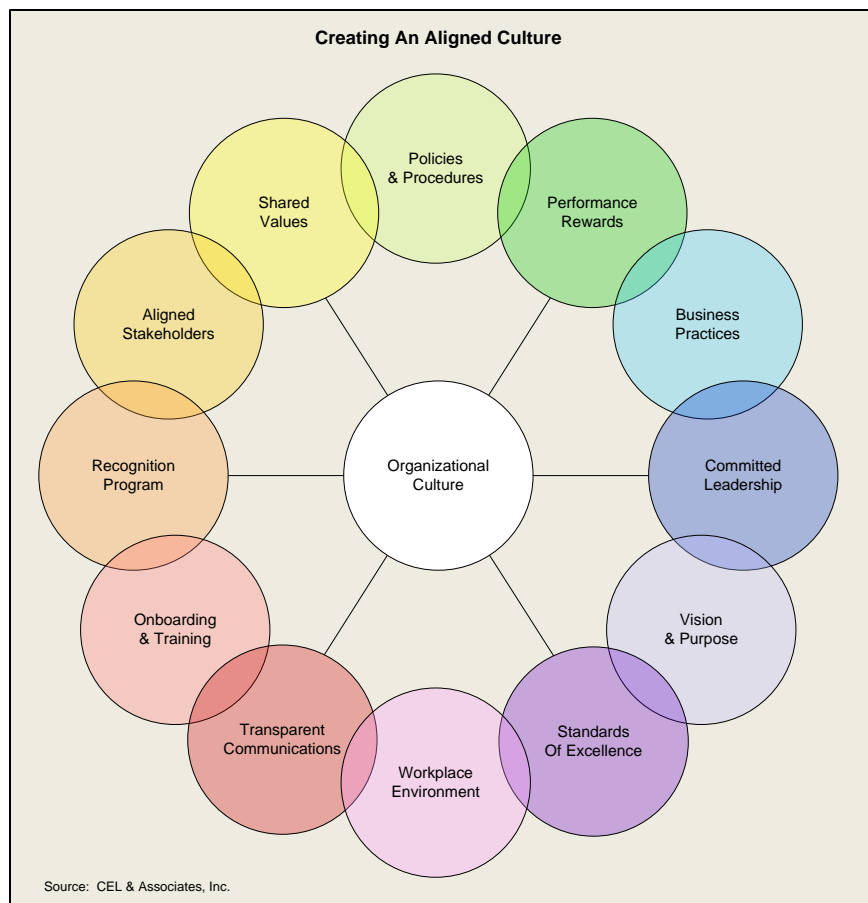
Source: CEL & Associates, Inc.

Talent Analytics: When addressing the impact of talent on an organization, traditional measures of performance are being replaced in 2015 by new analytics/metrics.

In today’s real estate industry, many Human Resource Directors cannot immediately tell you how their department has or will impact the bottom line. What “Moneyball” did for baseball is now (albeit slower than needed) being embraced by best-in-class real estate

firms. Traditional rules of thumb are being replaced by more appropriate and applicable performance metrics. In 2015, real estate firms must embrace talent analytics so the company’s business goals can be reached quickly and efficiently. In a rapidly moving world where speed and execution are significant advantages, knowing the score can impact future outcomes. Over the next five years, hiring, promotions, performance evaluations and reward decisions will no longer be by “gut feel” or because “that is the way we have always done it.”

Culture & Values: A corporate culture “refers to the shared values, attitudes, standards and beliefs that characterize members of an organization and define its nature...it governs the way a company thinks and behaves.” A corporate culture evolves over time from the cumulative traits and practices of the people a company hires. According to a recent Harvard Business Review article by John Coleman, culture can account for 20% - 30% of the differential in corporate performance when compared with culturally unremarkable competitors.



In many ways, a valued corporate culture is a collective way of saying how the firm conducts its business. In 2015, you will not succeed, but fall far below your potential, without a universally embraced organizational culture and values.

PRODUCT

Knowledge Cities	
Atlanta, GA	Nashville, TN
Austin, TX	New York City, NY
Baltimore, MD	Northern Virginia
Bellevue, WA	Philadelphia, PA
Boston, MA	Portland, OR
Chapel Hill, NC	Raleigh-Durham, NC
Charlotte, NC	Redmond, WA
Chicago, IL	Salt Lake City, UT
Dallas-Ft. Worth, TX	San Diego, CA
Denver, CO	San Francisco, CA
Houston, TX	Seattle, WA
Los Angeles, CA	Silicon Valley, CA
Miami, FL	Tulsa, OK
Minneapolis, MN	Washington, D.C.

Emerging Knowledge Cities	
Ann Arbor, MI	Madison, WI
Boulder, CO	Milwaukee, WI
Cincinnati, OH	Norfolk, VA
Hartford, CT	Oklahoma City, OK
Kansas City, MO	Pittsburgh, PA
Madison County, AL	

Source: CEL & Associates, Inc.

What are you selling? Are you marketing services, capabilities, access, knowledge, relationships, platform, assets, talent, leadership or results? **Too often real estate companies confuse general capability offerings as product...they're not! In 2015, real estate firms must have brandable products.** Successful product differentiation creates a competitive advantage. Whether your product is a building, a service, a fund or a unique capability, one-of-a-kind products will separate you from your competitors and open many more doors of opportunity.

Product development is more than a statement or a listing on your website. How you are perceived has a lot to do with how the market responds. Because products can be easily replicated by others, leading real estate firms must be in a constant state of innovation and continuous improvement, and they must avoid getting caught up in the "we're cheaper" approach to business development.

Three factors will make your product(s) in 2015 and beyond more appealing to your target customers:

Product Relevance. Why is this important and of value to your customer?

Product Sustainability. How do you intend to grow and strengthen your product's competitive advantages?

Product Identity. Are your branded products easy to market and easy for your customer to understand the differentiations?

The real estate industry has far too many "followers" and "imitators." Consequently, there is a void of product differentiators which, in my opinion, creates incredible opportunities. In the hyper-competitive environment in which we find ourselves today, the concept of product differentiation and product uniqueness is far more important.

Today's aspiring best-in-class firms are stepping out of the old mindset and developing/creating products that will capture the needs and expectations of current and prospective customers. In 2015, phrases such as market segmentation, NAICS trend tracking, product life cycle and product innovation will become more popular. Over the next 12 – 24 months, product differentiation, branding and sustainability should be in every real estate firm's lexicon.

Growth Market Characteristics
<input type="checkbox"/> Presence of major colleges and universities.
<input type="checkbox"/> Markets exhibiting population and economic growth.
<input type="checkbox"/> Markets with strong employment growth.
<input type="checkbox"/> Creative class cities.
<input type="checkbox"/> Presence of transit centers and robust mass transit systems.
<input type="checkbox"/> Markets of interest to investors and lenders.
<input type="checkbox"/> Markets where a competitive edge can be achieved.
<input type="checkbox"/> Presence of major hospitals and healthcare facilities.
<input type="checkbox"/> Markets with high barriers to entry.
<input type="checkbox"/> Markets with cultural/entertainment amenities/options.
<input type="checkbox"/> Tax- and business-friendly markets.
<input type="checkbox"/> Markets lacking rent control.
<input type="checkbox"/> Markets with mild weather climates.

Source: CEL & Associates, Inc.



PROCESS

Perhaps in 2015 and 2016, the word “process” should become more attached to process improvement rather than process innovation. **Process is defined as “an orchestrated sequence of activities and associated tasks required to meet goals or objectives.”** Process improvement in 2015 will mean streamlining, removal of redundancy and duplication, breaking down of silos, operating cost reduction and improved organizational and operational efficiency. To embrace process improvement, real estate CEOs and senior leaders must step out of their comfort zone and be willing to challenge the current way in which business is conducted. Imagine if Apple or Google just stopped creating new ways to approach their customers and their deliver system/platform. **By enhancing, strengthening and improving existing processes, long-term sustainability and relevance is dramatically increased.**

Did you know that in a recent CEL & Associates, Inc. review of nearly 500 real estate firms over the past two decades, there was not one firm that did not have room for process improvement? In some cases, process improvement could add 5% - 10% to the bottom line. In other cases, successfully implemented process improvements, could add 15% to 20% to the bottom line. **It is all about getting out of one’s comfort zone.** A combination of “why change now” and psychological insecurities (“fear of the unknown”) inhibit process improvement and change.

Remember, in most organizations “people don’t resist change, they resist being changed” (Peter Senge). **One of the greatest dangers real estate firms face in 2015 and beyond is making changes based on yesterday’s logic and precedents.**

Because the rate of change is accelerating, real estate companies must, while times are good, set in motion the changes to process which will be necessary to remain competitive and profitable. In 2015, I would recommend the adoption of a “Lean” approach to process improvement. It is not about what traditionally has been done, it is all about what should be done. Process improvement is about freeing up staff to use their skills in a more productive manner, thereby creating more value for all Stakeholders. While very large firms can use Six

2015 CEO Priorities

Rank	Top Priorities Of Real Estate CEOs
1.	Finding Investment Opportunities That Make Sense
2.	Retention of Talent
3.	Securing Long-Term Capital
4.	Recruitment of Talent
5.	Preparing For The Next Cycle
6.	Succession Planning
7.	Upgrading Technology
8.	Brand Management
9.	Enhancing CRM Platform
10.	Organizational Architecture
11.	Controlling Operating Costs
12.	Managing Growth & Opportunities
13.	Eliminating Silos
14.	Improving Internal Communications
15.	Aligning Culture & Values

Source: CEL & Associates, Inc.

Sigma or other process improvement strategies, I have found that the Associates doing the work are often full of ideas and recommendations. In 2015, “getting it right” means “challenging the existing”...a key strategy worth pursuing. **Everything starts with the question, “What can we do to make this better?”**

PERFORMANCE

What is your company's definition of "performance success?" **Too often "beating budget" or "better than last year" guide and define performance success.** The absence of key performance metrics that are tied directly to internal and external relativity can and do make a difference when defining performance success. As Winston Churchill said, **"Success is not final, failure is not fatal, it is the courage to continue that counts."** In 2015, achieving and exceeding one's financial, operating, enterprise, customer, talent, organizational, venture, capital and market goals must be paramount. **Over the next 36 months, leading up to the next real estate cycle shift, is the optimal time to clearly define performance success...and it will not be the same for all departments, individuals or regions.**

Now is the time to make money...let me repeat...now is the time to make money. There is not one successful real estate company that loses money or calls operational break-even a success. Yet there are many real estate services firms today that call a 3% or 5% NOI "the best we can do." However, performance is not just achieving/exceeding quantitative goals, it is also about maximizing the performance potential from every team member. It is about achieving maximum client performance potential (i.e., every client has a sales or revenue potential). It is thinking about the wants, needs and expectations of each Stakeholder to deliver the appropriate value to them.

To be successful over time, **real estate firms must move beyond delivery of Shareholder value to producing better-than-market Stakeholder value.** Because every Stakeholder group defines performance success in a different manner, real estate firms in 2015 must prioritize and direct attention toward building long-term success. There is a difference between performance measurement and performance management. **Over the next 24 months, real estate firms, regardless of size, business focus or geography, must avoid the self-serving affects in the attribution of success so that success is the result not in the interpretation.**

Performance is clearly about exceeding expectations. However, in 2015 real estate firms must define performance success...quantitatively, qualitatively and strategically. To use a familiar quote, "If you don't know where you're going, all roads lead there."

PASSION

Don't you just love the word "passion?" **The difference between good and great leaders or employees is not what they do, it is the passion with which they go about doing it.** To be great, you must have a passion to be great...simply showing up will not make you great. Walter Cronkite said, "I can't imagine a person becoming a success who doesn't give this game of life everything he's got." So too in the real estate industry.

It will be an opportune time in 2015 to remind yourself and your organization why a career in the real estate industry is the best professional decision you can make. Founded in response to opportunities and problems in need of asset-based solutions, the real estate industry has evolved from building shelters and forts to creating incredible facilities that provide workplace and lifestyle solutions/options. From the Egyptian traders of 300 BC to the high-tech pioneers of the 21st century, real estate entrepreneurs have been at the epicenter of every historical transformation, events and innovations for the past 5,000 years.

The boundaries of a real estate organization have been and continue to be shaped by adherence to a set of non-negotiable core values, a team of dedicated professionals and business models that add value to our communities, our lifestyle, our sense of place and our pride. Real estate in society transcends the ordinary and represents the intuitive understanding that what we do creates success for all Stakeholders.

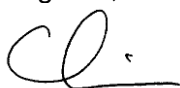
Real estate firms must remember that competing in the New Normal requires every organization to have a talented team of professionals who all share a love and passion for what they do and for the industry in which they convert that passion into lasting value. It isn't easy to lead a real estate firm, a department or an onsite team when there is an absence of passion and commitment. **Real estate is not a job, it is a career.** It isn't about "me," it is all about thinking of "we." Over the next year, every real estate firm should pause for a moment and remember that the real estate industry was here before and will be around after you are no longer active. **The key is to align the passions toward a shared vision of what could be, and why each and every person can make a difference.**

Closing Comments

6 Ps...six core strategies for succession in 2015. Master all six, and future success and relevance will be assured. Leading a real estate firm, a region, a division, a department or a site is not easy...and frankly, it is becoming more challenging. Remember, the first responsibility of a leader is to define today's reality and envision tomorrow's reality. **To raise your company's performance to a higher standard, embracing the 6 Ps in 2015 is a good first step.**

I welcome your comments, feedback, insights and perspectives. Onward into 2015!

Regards,



Christopher Lee

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