

Issue K073017

What Keeps You Up At Night?

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Friends & Colleagues:

In today’s rapidly changing, transformative, challenging and uncertain markets, **a plethora of topics, questions, decisions and issues can keep every real estate leader up at night.** Many real estate leaders and companies are challenged by everything from basic concerns over hiring for a suddenly vacant position, responding to potential opportunities in a timely manner, closing a critical lease or deal, and/or meeting or beating budget, to complex financial engineering, meeting investment/financial obligations or obtaining difficult-to-get entitlements. **How one responds to these “keep-you-up-at-night” moments could determine success or failure.**

However, cheer up...you are not alone, because your condition is shared by thousands of other real estate professionals, and the cure(s) are readily available. *Harvard Business Review* asked 24 CEOs about their biggest challenges and heard: (1) talent management; (2) operating in a global marketplace; and (3) government regulations and legislation. The Conference Board asked 555 CEOs what they feared most and were told: (1) global recession; (2) developing the next generation of leaders; and (3) cyber security. Two thirds were concerned about failure to adequately embrace digital transformation and remain competitive within the next 10 years. At the 2017 DAVOS conference, CEOs identified these four topics which keep them up at night: (1) being ready to flex in a world of flux; (2) building trust among Stakeholders; (3) tackling the talent challenge; and (4) reimagining the leadership model. CEL & Associates, Inc. conducted a recent survey of nearly 100 real estate CEOs and they listed: (1) reshaping the business model for the future; (2) grow recurring revenues; (3) talent management; (4) brand differentiation and management; and (5) securing growth capital.

Removing the real concerns, challenges and unknowns that can “keep you up at night” is the focus of this edition of *Strategic Advantage*. From increasing marketplace competition, exceeding customer expectations, securing growth capital, and rising operational costs to technology advancements and other threats...the role of a real estate leader is constantly under the decision-making microscope. There are, however, 10 steps every real estate firm, Board of Directors, CEO and leader must take to survive and prosper in this age of accelerated transformation.

Real Estate Industry's Mega Shifts

Category	Yesterday	Today	Tomorrow	Overmorrow
Business Focus	Local / Regional	Regional / National	National / Global	Cyber
Operational Focus	Collecting Assets	Collecting Fees	Collecting Relationships	Collecting Predictive Data
Market Focus	Seeking Sites	Seeking Market Share	Seeking Customer Share	Seeking Connective Share
Service Platform	Focus On Service	Focus On Solutions	Focus On Connectivity	Focus On Customization
Business Driver	Market-Driven	Capital-Driven	Knowledge-Driven	Artificial Intelligence Driven
Brokerage	A Representative	A Broker	A Consultant	An Advisor
Property Management	Facility Manager	Property Manager	Business Leader	Enterprise Leader
Leadership	Founder(s)	Executives	Transformational	Visionary
Talent	Employee	Associate	Collaborator	Partner
Organization	Organization	Flatarchies	Holacracy	Virtual

Source: CEL & Associates, Inc.



[A 10-Step Program To Reduce Insomnia](#)

To cure insomnia caused by the internal and external factors within and reshaping real estate companies and the real estate industry, I recommend this 10-step process. These steps are not presented in order of priority, sequence or importance...but they work!

[Step 1: Accept That Real Estate Is An Uncertain Business](#)

From the farmer who plants crops each year to a top 10 draft selection in the NFL or NBA, life offers no guarantees. **The real estate industry is often the poster child for anxiety disorders**...with questions such as these. Will we be the successful bidder? Will this lease close? Can I resolve this entitlement or environmental challenge? Can I find the money? Will I get the entitlements and permits? Will these tenants or residents renew? Can I keep and motivate great talent? Am I prepared for a downturn or setback? Can our company compete and stay relevant? Who takes over after me? Will our buildings or services be in demand? What happens if interest rates rise?

This list can go on...and on...and on! **Many successful real estate entrepreneurs today are insecure and motivated by a fear of failure, losing to a competitor or simply trying to top the most recent success.** Most major events directing real estate's future are beyond one's control (e.g., tax policies; environmental regulations; entitlements and/or rezoning; tenant decisions; investor and lender decisions; competitors buying opportunities, etc.). When you accept that buildings are developed, bought and sold...that occupants change decision makers and expectations...and that employees often see greener pastures across the street, you can accept that **you are in an industry full of uncertainty.** The real estate industry is dynamic, not static! When you can acknowledge and accept that change is inevitable, you can move from Step 1 to Step 2.

Step 2: Embrace The Empowerment Of Others

In an industry of high achievers, you can achieve success more rapidly by admitting you don't know everything, you aren't perfect and that vulnerability is a good thing. When you lead by example, when you empower others to exceed their potential, when you create an open, collaborative and honest conversation with those in your organization, you will feel a sense of relief. It doesn't have to be all about you. I encourage you to create a new normal where others feel free to express opinions, trust dominates relationships and feedback is readily embraced.

Surround yourself with great people who are aligned with you and the organization to achieve great results. When you empower others, the setbacks, negativity and doom-and-gloom behaviors can be avoided. "I would rather be in a foxhole with my friends than face the enemy as an army of one."

The Clash Of Cowboys & Collaborators	
Cowboys Baby Boomers	Collaborators Millennials
➤ Command and control	➤ Whomever is most qualified
➤ Value working individually	➤ Collaborators/team players
➤ Want clear boundaries	➤ Multi-tasking
➤ Inward looking	➤ Outward focused
➤ Focused communications	➤ Open communications
➤ Homogenous generations	➤ Diverse generation
➤ Job security and structure	➤ Employability and flexibility
➤ Work for money	➤ Work for personal enrichment
➤ Highest paid	➤ Sense of accomplishment
➤ Influence via title	➤ Influence via networks
➤ Realistic	➤ Optimistic

Source: CEL & Associates, Inc., and University of North Carolina

Step 3: Innovate And Embrace Change As An Ally

If there is one certainty on preventing real estate insomnia, it is to **embrace change as an ally and continuously seek creative solutions, foster an innovative environment and be willing to do different things...not do the same things differently.** Anxiety and fear of "what could happen" often can be attributed to concerns that the "same things may not be working" or the "things we are doing may not work, going forward." Business practices, organizational structure, reporting relationships, operational processes, strategic priorities, CRM practices and talent management should be evaluated continuously. Challenge the status quo, assume a "clean-sheet-of-paper" focus when examining various business activities, and most importantly, *do not* assume you have all the answers. Very often **the most creative, needle-moving ideas come from an unencumbered, transparent organization where people feel free to express opinions,** propose new ways of doing things and believe that someone will listen and react to their recommendations/ideas. Change can be threatening to many; however, an inability and/or an unwillingness to change can be an organization's greatest nightmare...and keep many up at night worrying about what tomorrow will bring. Change must be viewed as a growth opportunity. Remember, "every new beginning comes from some other beginning's end."

Step 4: Believe That Disruption Creates Opportunities

Today's successful real estate CEOs are building key strategies around managing the value chain, understanding the unique expectations of each Stakeholder and acknowledging that we live and operate in an era of accelerating disruptors. These include the Internet of Everything; technological advancements; new software platforms/options; new ways of communicating and accessing data/information; and shifting client, tenant, resident, consumer and investor needs based on disruptors. When real estate leaders (at all levels) worry about today and lose sleep worrying about tomorrow, productivity and performance decline rapidly. When an organization is looking in its rearview mirror instead of looking ahead, it sacrifices current and future success.

Disruption creates opportunities if you are willing to stop worrying about the future. You can't control the future...you can't accurately predict the future...**and the future will occur regardless of what you do.** Worrying about disruptors and the future only clouds your ability to do great things. In this time of constant surprises, uncertainty and transformation, it is important not to second-guess your decisions or play "what-if-I-had-done-that" mind games. Dr. Maxwell Maltz wrote the self-help book *Psycho-Cybernetics* that encourages one to regulate self-concept. **Using visualization of positive outcomes is far better than daily fears over disruption and uncertainty.** Many real estate industry advancements were created by disruption (e.g., elevators, air conditioning, fire-proofed iron-framed structures, CO₂ capturing concrete, photovoltaic glazing, etc.). No reason to lose sleep at night worrying about how you can or must react to disruption, when **you should be envisioning endless possibilities and opportunities caused by disruptors.**

Forecast Is Uncertain			
Reporting Data	U.S. GDP Growth Rate		
	2017	2018	2019
Mortgage Bankers Association	2.0%	1.9%	1.7%
Congressional Budget Office	1.7%	1.7%	1.7%
Federal Reserve	2.1%	2.0%	1.9%
Federal Open Market Committee	2.1%	2.1%	1.8%
Statista	2.2%	2.1%	1.9%
Average	2.0%	2.0%	1.8%

The last year the annual GDP growth rate exceeded 3.0% was in 2005 (3.4%).

Source: CEL & Associates, Inc. and published sources.

Step 5: Adopt A Shared Governance Structure

Often the stress over “making all the decisions” or the burden of “making the wrong decisions” can be dramatically reduced by implementing a shared governance structure. Beginning with the formation of a Formal or Advisory Board of Directors, having two or three Independent Board Members who can provide objective insights and recommendations can be invaluable when faced with major decisions and challenges. Create an accountability structure from the top down and bottom up, empower a Formal or Advisory Board for key decisions, and delegate responsibilities and decision-making throughout the organization. However, remember that you need a commitment from your leadership group that they want more authority, decision-making and accountability. In a shared governance structure, **decisions are made by those who are closest to the information/facts.** Further, you must ensure an alignment of expectations when empowering others (i.e. create/state a clarity of purpose or clear expectations). When selecting your independent Formal or Advisory Board, here are a few tips to follow: Do not select/appoint former employees, retired real estate professionals, competitors, lenders, attorneys or accountants, anyone from academia, friends, relatives, and recent or soon-to-depart senior leaders. A shared governance structure should include engaged, motivated, committed people and those active in the real estate industry. If you want to remove a barrier to sound sleep, consider restructuring the organization with a shared governance structure. Remember, **“Great leaders don’t create followers...they create more great leaders.”**

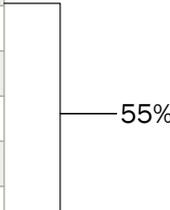
Step 6: Remove The Barriers To Success

For real estate professionals who have dedicated their career to the real estate industry, “If you find a path with no obstacles or challenges, it probably doesn’t lead anywhere.” Everyone in the real estate industry has, is or will encounter roadblocks and challenges. Losing sleep because you were unwilling or unable to remove most if not all the barriers to success is not an option. **Let the possibilities inspire you**....don’t let the barriers inhibit your success. **There is not one real estate organization regardless of size, platform, location or ownership that does not have barriers or obstacles that can prevent outstanding performance and future success to occur.** The primary barrier culprits are: (1) wrong people in the wrong position at the wrong time; (2) historical precedents, traditional ways of doing things and business practices that are outdated, unnecessary, cumbersome and frankly discouraging to many within the organization; (3) a lack of a clear vision, aligned goals and key growth/performance strategies embraced by all; (4) disengaged or “me-first” leaders; (5) analysis paralysis; (6) lack of organizational talent; (7) centralized decision-making; (8) absence of and/or lack of adherence to a core set of key values and principles; (9) misaligned organizational structure, compensation system and/or operational redundancy; and (10) lack of growth capital. Interestingly, all...yes all these typical barriers to success...can be corrected. Curing insomnia caused by the inability to reach and exceed your and your organization’s potential would be a major remedy for what keeps you up at night.

Step 7: View Your Business Model As A Staircase

Category	Percent Respondents
Within:	
– 1 – 2 Years	7%
– 3 – 4 Years	12%
– 5 – 6 Years	13%
– 7 – 8 Years	9%
– 9 – 10 Years	14%
– More Than 10 Years	37%
– Don’t Know	8%
Total	100%

Source: CEL & Associates, Inc., IREM Survey 2015.



Too often real estate leaders seek/want a clear path to success, but **getting from here to there is a stair-step rather than a lineal progression.** Taking manageable steps, not attempting giant leaps, enables you to link each strategy and action with a measurable result. You can’t always predict future events and outcomes. Thus, taking incremental steps forward enables the organization to create new business options and a competitive advantage. **A staircase of compound decisions, options and opportunities can navigate the labyrinth of transformative changes with ease.**

To sleep better at night, I encourage you to adopt both near-term and long-term perspectives, encourage your leaders and managers to become more entrepreneurial and embrace the viewpoint that the future is limitless when one thinks prospectively. In a progressive stair-step model, you should focus on: creating valued, long-term relationships with prior, existing and prospective customers; improving your infrastructure delivery system; leveraging your core competencies; and, above all, meeting and exceeding the expectations of your Stakeholders. **Finding opportunities ahead of your competitors is a critical component of the stair-step model.**

One common leadership mistake within the real estate industry is assuming you know what your customers want based on historical precedents. From the Property Manager to the CEO, creating incremental stair-steps will go a long way toward reducing future uncertainty and can eliminate concerns that keep you up at night.

Step 8: Understand Differences Between Corporate, Asset, Operating and Client Strategies

The ability to separate and create aligned and unique key strategies among the four primary components of a real estate firm is essential to assure financial success. Blending these four unique pillars into one can compromise the ability of one or more to achieve the desired result. Corporate or Shareholder strategies are concerned with TSR, cash flow, and governance. Corporate employees are often an expense vs. a revenue generator. Assets are an investment (like a stock) that is measured by IRR, ROE and/or other valuation methodologies. Operating platforms are measured by overhead ratios, worker productivity, client/customer relationships, administrative matters, accounting and reporting requirements, financial metrics, and benchmarks and other performance measures. Client or customer strategies are measured by repeat business, recurring income, satisfaction, growth and product/service segmentation. **Creating and aligning these strategies is a critical step in removing the problems created by silos, fiefdoms, poor internal communications, mistrust and self-serving decisions.** If worrying about your company's diverse and, at times, conflicting agendas keeps you up at night, then a dose of corporate, asset, operating and client alignment strategies is needed.

Step 9: Retain Your High Potentials

Nothing causes more concern, worry, anxiety, apprehension and uncertainty than the resignation of a high potential ("HIPO"), talented person. Losing dedicated, motivated, respected, knowledgeable, productive and valued employees (at all levels) can set a company back two, three, even four years. In today's talent-constrained environment, replacing high potentials can be very costly and time-consuming. However, rather than wait or worry about what could happen, real estate firms must: (1) enact a more contemporary compensation structure that reflects today's highly competitive environment; (2) provide/create forums or venues for HIPOs to grow, learn, gain experience, innovate, lead and contribute to the long-term success of the enterprise; (3) remove the internal processes that limit a HIPO to reach his/her potential; (4) embrace a more rigorous hiring process to avoid recruiting those who do not share your company's values and standards of excellence; (5) create a career development process; and (6) provide mentorship, training, industry exposure and coaching to each HIPO. In literally every major city across America, searches are going on right now for great real estate talent. **Rather than worry about someone leaving, take steps to retain each HIPO for years to come.** When you do...you will sleep much better.

Step 10: Realize Your Potential and Limitations

There has never been a CEO, Director of Property Management, CFO, Head of Leasing, Director of Development or any leader or leadership position within the real estate industry who knows everything. I know that may be a shocking statement. However, everyone has limitations, and accepting those while realizing potential will enable you to not worry about something where you are uninformed or lack requisite experience to facilitate the best decision. **Believing one is omniscient, infallible or without limitation places a heavy burden on leading and making decisions.** Wanting to seem or act like an expert, make decisions that only result in success, not wanting to let others down, fear of failure and/or a belief that "only I" can make the correct decision, places enormous pressure on that person. **However, knowing your limitations and embracing each limitation responsibly with someone else is a huge step forward.**

Success Rate Of Succession Plans	
Time Period For Succession	Long Term Success Rate
0 – 1 Year	20%
2 – 3 Years	50%
4 – 5 Years	85%
6 – 7 Years	75%
10 Years & Longer	65%

* Numbers have been rounded.
Source: CEL & Associates, Inc.

Conversely, knowing your core strengths, passion and potential can redirect energies away from areas of anxiety and apprehension and into areas of contribution, strength and value. Your potential lies between what is and what could be. One of my favorite statements was made by a successful businesswoman, Tobi Fairley, who said, **“To reach your greatest potential, you’ll have to face your greatest fears.”** If trying to be all things to all people all the time is your style of leading or managing, then you will find yourself up at night worrying about things you cannot control.

The Consumerization Of Human Resources

- □ The workplace is a total experience [physical, intellectual, emotional, social, virtual, and aspirational].
- HR and Marketing are together creating an employer brand.
- Employees are becoming brand advocates.
- Employees, particularly Millennials, want a flexible, mobile, and remote work business/employment model.
- □ Workplace space is being redesigned for collusion, collaboration, and communication.
- □ Talent management plans now reflect a more custom employee/employer relationship.

Source: CEL & Associates, Inc.

Closing Comments

Alfred E. Neuman, the fictitious mascot of *Mad* magazine had a brandable philosophy: “What, me worry?” Anything that keeps you up at night worrying about the business; a decision; an organization, operational or personnel matter; an investment; or an opportunity must be relegated to the sidelines. George Bernard Shaw said, **“People become attached to their burdens sometimes more than the burdens are attached to them.”** **Removing doubt, fear and those barriers to success should be at the forefront for every real estate professional.** Writer Erma Bombeck said, “Worry is like a rocking chair; it gives you something to do but never gets you anywhere.” So true within the real estate industry. The opportunity to achieve greatness, move the needle and exceed your potential must begin with vanquishing those things that keep you up at night.

I welcome your comments, feedback, insights and perspectives.

Regards,



Christopher Lee

SPECIAL ANNOUNCEMENT

Over the past 23 years, we have received hundreds of emails and inquiries asking us to create a more frequent “one- to two-pager” on matters of strategic importance. We are pleased to announce that **we have recently launched a bi-weekly brief entitled *Leadership Conversation***. This will feature one topic, provide recommended strategies, include a prediction and highlight key questions to ask at your next Executive or Management Committee. The results of our pilot test with the concept and format have been very positive, and we are excited for this kickoff. ***Strategic Advantage*, our regular newsletter, will continue as a quarterly publication.**

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- If for multiple people, send us an email with a list of their individual contact info and email address.

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Prior Newsletters: If you would like to download prior newsletters, please go to the following links.

Get Ready For Transformative Change!

<http://www.celassociates.com/onlinenewsletter/transformative-change-sa-k050117.pdf>

The Six Disruptors Transforming The Real Estate Industry

<http://www.celassociates.com/onlinenewsletter/DistrutorsTransformingREIndustry-SA-K012917.pdf>

The Real Estate Industry In 2025 100 Bankable Predictions You Need To Know Part III

<http://www.celassociates.com/onlinenewsletter/BankablePredictions-PartIII-SA-K031416.pdf>

The Real Estate Industry In 2025 100 Bankable Predictions You Need To Know Part II

<http://www.celassociates.com/onlinenewsletter/BankablePredictions-PartII-SA-K022916.pdf>

The Real Estate Industry In 2025 100 Bankable Predictions You Need To Know Part I

<http://www.celassociates.com/onlinenewsletter/BankablePredictions-PartI-SA-K021416.pdf>

Millennials Will Have A Dramatic Impact On Real Estate!

<http://www.celassociates.com/onlinenewsletter/MillennialsImpactOnRealEstate-SA-K091215.pdf>

The 6 Ps For Success

<http://www.celassociates.com/onlinenewsletter/The6PsForSuccess-SA-K042615.pdf>

It's All About Jobs

<http://www.celassociates.com/onlinenewsletter/ItsAllAboutJobs-SA-K111214.pdf>

The Future Of Retail Real Estate...A Tsunami Of Change Is Underway

<http://www.celassociates.com/onlinenewsletter/FutureOfRetail-SA-K051914.pdf>



Succession Planning Must Begin...Now!

<http://www.celassociates.com/onlinenewsletter/SuccessionPlanning-SA-K041114.pdf>

The Future Of The Office Sector

<http://www.celassociates.com/onlinenewsletter/TheFutureOfTheOfficeSector-SA-K062013.pdf>

Breaking Strategic Gridlock

<http://www.celassociates.com/onlinenewsletter/BreakingStrategicGridlock-SA-K041713.pdf>

The Great Generational Divide

<http://www.celassociates.com/onlinenewsletter/TheGreatGenerationalDivide-SA-K091812.pdf>

Becoming A Customer-Centric Company

<http://www.celassociates.com/onlinenewsletter/BecomingACustomer-CentricCompany-SA-K040212.pdf>

It Is Time To Get Rid Of Oldco!

<http://www.celassociates.com/onlinenewsletter/TimeToGetRidOfOldco-SA-K030712.pdf>

A Contrarian Perspective

<http://www.celassociates.com/onlinenewsletter/AContrarianPerspective-SA-K110211.pdf>

The Role Of Real Estate In Society

<http://www.celassociates.com/onlinenewsletter/TheRoleOfRealEstateInSociety-SA-K091411.pdf>

Tomorrow Has Already Arrived

<http://www.celassociates.com/onlinenewsletter/TomorrowHasAlreadyArrived-SA-K062711.pdf>

Age Of Consequence & Opportunity

<http://www.celassociates.com/onlinenewsletter/AgeOfConsequence-SA-K050611.pdf>

Take Control Of Your Destiny

<http://www.celassociates.com/onlinenewsletter/TakeControlOfYourDestiny-SA-K032911.pdf>

Real Estate Outlook 2010-2020 Part II

<http://www.celassociates.com/onlinenewsletter/RealEstateOutlook.2010-2020-PartII.SA-K060110.pdf>

Real Estate Outlook 2010-2020 Part I

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