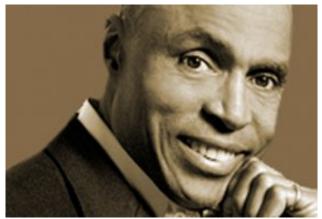




Are you Managing Your Reputation?

By Bill Whitlow

October 28, 2013



No company is too large or too small to succeed at creating great cultures and great organizations, says Whitlow.

SAN FRANCISCO-This article cites Camden, EQR, and AVB are standouts when it comes to creating a strong corporate culture, but we have often found that the "mom and pop" organizations often have the strongest and most positive cultures with commensurate low turnover rates among residents and associates. No company is too large or too small to succeed at creating great cultures and great organizations. Highly motivated teams can be found within any firm that is willing to invest and engage in the "culture building" process. Every firm can learn from the successes of others both in and outside of the apartment industry.

As executive recruiters to the real estate industry, we like to talk about "the

Playbook" that our recruits bring when we hire them from a strong company. In our apartment practice, this most often means leaders in the industry, particularly Camden, Equity Residential and AvalonBay, who are consistently best regarded in terms of strong overall processes, systems and culture. We have clients who like to hire from these companies because they bring an overall discipline and A-Z approach to the business learned in a generally positive workplace. Recently, I heard an owner say that he likes to "hire people from EQR" because they are well trained, highly motivated and bring a strong approach (i.e., a playbook).

But while the term "playbook" typically is easily translated in terms of policies, systems, and approach, organizational culture is a less tangible concept and often more difficult to define and articulate. What exactly is "organizational culture" and what does it mean in the multifamily industry?

According to one definition, organizational culture represents a collective basic pattern of assumptions shared by people in an organization – a belief system that guides the way they interact with each other and with stakeholders outside the organization.

But if asked, many companies in the apartment industry would be hard-pressed to define their own organizational culture. Most often they might say "our company has a customer centric culture". However, this characterization misses the deeper meaning and potential benefits of embedding good culture within an organization. Regardless of the level of corporate resources or size of your company, the many benefits of creating positive corporate culture are too great to ignore.

Here are a few of the main ones:

- 1) More transactions some companies excel at treating business partners in a valued fashion. We feel this from clients as recruiters. You feel it in doing business with them. For example, have you asked your external partners how they could help accelerate your deal flow attorneys, property management vendors, brokers, CPA firms, recruiters? Have you trained your associates on the importance of these relationships and how to treat these groups as business partners and not as commodities?
- 2) Greater revenues it is difficult to directly tie positive culture to increases in performance metrics such as greater revenues, occupancies, or stock price. But we do know that lower resident turnover and lower associate turnover tie directly to bottom line performance. It is harder to quantify, but we also know that investments in people, such as training and a positive workplace environment, not just in technology, pay dividends in the long run.
- 3) Less turnover some companies are well known for their turnover.

Conversely, other companies are able to achieve high employee retention, and consequently, a high level of positive recognition within the industry. How does Camden, for the fifth consecutive year, continue to earn Fortune Magazine's one of the "100 Best Companies to Work For in America"? How has Archstone kept so much of its senior team intact through what has been an incredibly painful transition? I think in both cases, it is because both Archstone and Camden are really good companies with strong leaders and cultures designed and constructed from top to bottom.

4) Less corporate drama – Camden, EQR, AVB all stand out as companies that have been sticky in terms of their senior management teams. Not much drama, at least to the outside world. That level of stability says good things about management and the firm, which we believe translates down to the folks in the trenches feeling good about working there. The way companies treat their associates directly correlates to how those associates behave towards important external constituents like investors and residents. While you'd think your employees put their best foot forward with investors, you might be surprised how transparent disgruntled employees are, even with your investors. But when your employees have a positive perception of their employer, they are capable of exerting a power positive influence on everyone's perception of your company – among investors, residents and even among competitors.

The other side of this coin is how a lack of investment and effort to create and embed positive culture into their organization can stunt a company's performance in all of the above areas and more. Again, we are not sure how to quantify this against stock price and performance, but intuitively we know that the negative is probably even more costly than the positive is a benefit.

Recently, I worked with a client with a reputation as a difficult place to work. Within a short time after starting our search, the market informed us that employees at this particular company were not treated very well. The executive team had spent no time thinking about creating a positive organizational culture. Consequently, unhappy employees left the company and spread the bad word. The negative perception made it difficult to recruit talent.

Leaders must keep firing on all cylinders. In real estate we tend to think that it is all about deals, portfolio and location, location, location. But we believe that building and growing great real estate organizations is about leadership. Due to the fact that this concept is more amorphous, it is likely discussed less often than cap rates, CAPX and IRRs, but its weight is equal on the importance scale. You can't put an exact figure to the value of a good reputation and strong corporate culture, but if you could, you probably couldn't afford it.

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