



NAREIM

National Association
of Real Estate Investment Managers



Leadership = Focus on Essence, Platform, and Culture

August 27, 2013

Partners Matt Slepín and Bill Whitlow of Terra Search Partners and frequent speakers at NAREIM events recently wrote these questions and reflections from a discussion at the June 2013 20/20 Investor Summit with some of the top leaders in the real estate investment management industry.

Culture. Platform. Essence. Those are the words that we think of when talking with industry executives about the leadership of their organizations. With the recession in mind, but largely in the rear-view mirror, leaders are taking stock of their current business model, organization, and practices in order to effectively plan and build their companies for the future. In conversations with industry leaders who attended NAREIM's recent 20/20 Investor Summit meeting in Chicago, we've explored how leadership comes together with culture, platform, and essence to move organizations forward. Let's think about these concepts in reverse order.

Essence: We use the word *essence* with tongue-in-cheek, but it makes a point. What is the essence of your firm? What is your essence as a leader? What do you stand for? How do you define your leadership style? How does your firm's historical perspective impact or shape the DNA of your organization?

As we emerge from the downturn, it is perhaps more critical than ever to take a hard look at the past in order to ensure success in the future. What approaches proved to be effective? What differentiated your firm? What are the environmental truths and challenges which became impossible for you and your peer group to ignore? What does the future bode for your space in the industry and what are you doing to address future impediments to your success? What are your competitors doing? Which competitors do you most admire? Who failed to make it through the recession and what are the lessons learned?

What is the essence of your firm, particularly when viewed within the context of the competitive set and the overall environment of your sector? Only with a sound understanding your firm's essence can you actualize a road map for the future, looking past the next year or two to create a five or ten-year business plan and vision.

Platform: You have either inherited or constructed an operating platform for your business. Is it built for the future? Will it last or become obsolete with the next deep recession or sea change that no one saw coming? Will it enable you to compete successfully in your space over the long term? What are the strengths and weaknesses of your platform? Is it resilient — scalable, adaptable, and sufficiently flexible to accommodate unforeseen changes?

The word *platform* covers a lot of territory. It covers your team and the ability to execute at every level of your business. It includes your accounting and technology systems, as well as your approach to communications and management. It encompasses your capital relationships and capital structure. It includes human resources and human capital across a broad spectrum of issues – from training to succession planning – throughout your organization. It comprises underwriting new deals, operating and creating value within your existing portfolio, and creating and executing exit strategies.

So, how does your platform perform? Look across your team, look across your disciplines, and look across the landscapes of your competitors. Where are you best-in-class versus middle-of-the-pack or just so-so? Where can you find opportunities to “transcend the genre” with your approach to the business and create a truly unique or innovative strategy for profitability and longevity?

Culture: As recruiters, we talk a lot about corporate culture. But what kind of a place is your company for those who work there? What is it like to be on the leadership team? What is it like to be a mid-level manager at your firm or an entry-level associate just learning the business? Is your culture distinctive enough to articulate and then pass down to the site level? Do field-level employees possess a strong sense of your corporate culture? After all, these are the members of your team who truly represent your firm to your ultimate customer.

Does your firm have a doctrine of fair and respectful treatment of those that your firm touches, including clients, tenants, investors, intermediaries, and the people on the other side of the table during business transactions? How does your firm articulate and train to this approach? Do you have a culture of achievement or a culture of “run-of-the-mill” (to which no one aspires, obviously, but where many firms reside)? Is your culture internally cutthroat but disguised as “competitive” or one of true collaboration? How do you as a leader affect change from one to the other?

Does your firm’s culture have meaning beyond the clichés and buzzwords that don’t truly differentiate a company? Is there a true mission? This gets back a bit to essence, but we work with many companies where the culture translates to a differentiating mission within the industry. Do you truly embrace diversity because you clearly recognize the bottom-line value that different perspectives can deliver if encouraged and then properly harnessed? What place does sustainability play in your business and how you execute? How do you mentor your next generation of leaders, the Gen-Yers and Gen-Xers within your company? Do you understand what makes them tick? Are you making room for them to grow in the business? Is your team first-rate from top to bottom? Do you have industry-leading managers in charge of each discipline? Do you have articulated succession plans at the top and in each of the functional areas for at least the leaders, if not one or two steps down?

Leadership: Let’s get back to the real issue, which is where you stand as a leader. How do you lead and manage *essence*, *platform*, and *culture*? Are you consciously taking your organization somewhere or are you simply moving it forward along the obvious path? Are you providing vision and articulating your vision throughout the organization? Do you peer outside the walls of your firm to see and understand who your competitors really are, monitor the trends, and keep your perspective fresh? Are you seeking out diverse viewpoints or are you leading with tunnel vision?

Leaders must address these and other matters across the board on a continuous basis. However, we also know leaders will always spend time leading within the context of their specific area of passion, experience, or the perceived greatest need of the business. So, where do you spend that core time? Capital markets? Deal-making? Increasing your firm’s branding and profile in the industry? Dealing with your investors? Building your platform? When you regularly pause and take stock of the truth of this, are you balancing your multitude of demands well and adding value both in your area of passion as well as across the board?

Do you have good focus on the discontinuous future? Have you developed multiple exit strategies, a next generation strategy, or an M&A strategy? What is right for your firm and your investors? What is right for the team? What is right for you?

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 these other components – *leadership, essence, platform, and culture*. Due to the fact that these concepts are more amorphous, they are likely discussed less often than cap rates, CAPX and IRRs. However, NAREIM is keenly focused on these dynamics and challenging leaders to think more broadly about leadership. Gauging from the highly interactive and lengthy discussion on these topics among leaders of top investment management firms at NAREIM 20/20, leaders are keenly interested in discovering ways to focus on and address these components. Granted, they are often more difficult to define and effectively address. But we know that they are the true indicators of the long term success of your business.

Matt Slepín is the Founder and Managing Partner of Terra Search Partners, a retained executive search firm helping real estate companies build great teams. Terra Search Partners serves many of the country's foremost REITs, private equity firms, pension fund advisors, private developers and owners, family owned businesses and non-profits. Matt writes frequently on matters pertaining to human capital in the real estate business. To see additional articles written by Matt and others at Terra Search, click through to www.terrasearchpartners.com. Contact Matt Slepín at matt@terrasearchpartners.com or 415.433.2244.

Bill Whitlow is a Partner with Terra Search Partners, a retained executive search firm helping real estate companies build great teams. Terra Search Partners serves many of the country's foremost REITs, private equity firms, pension fund advisors, private developers and owners, family owned businesses and non-profits. To see additional articles written by Bill and others at Terra Search, click through to www.terrasearchpartners.com. Contact Bill Whitlow at bill@terrasearchpartners.com or 415.433.1630.