People Still MATTER

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For the people who matter most to me

T., Brian and Cooper

People Still Matter

Author's Note

Reading today's headlines I note that turnover among senior executives of leading global businesses has reached an all-time high. Never have executives and their boards of directors felt more pressure to produce or take accountability for results.

I note however that the casualty rate among those brought in from outside an organization is even higher than for those who have spent years inside. Recently, top marketing, finance and operational executives hired from outside firms have fallen out of favor more frequently and faster than ever before.

Could it be that while technical expertise, experience and drive are important, there is something else that matters more? We think so.

In 20 years of providing management consulting services to leaders of U.S. and Canadian realty firms, we noted that the most successful firms were found in different locales and were of varying size. Leaders of these successful firms were women and men, some young and some with long-term experience. So these demographic factors weren't the critical difference.

We determined that further research was needed to find out what were the most important factors. *People Still Matter* is the result of that search. It turns out those leaders who hold fast to a vision for their firm and who share openly with others lead the most successful realty companies. Leaders who can communicate their vision and beliefs consistently and instill a sense of discipline in their organizations establish something else that is vitally important: trust.

We think these factors hold true regardless of the organization or business. Whether you lead a large realty firm or a 10-person sales team, these attributes matter the most to your success.

My thanks to the 170 real estate professionals who patiently answered our questions about what makes your companies unique. Without your assistance this would not have been possible.

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Introduction

The residential realty services industry includes more than 70,000 brokerage firms and 2.6 million licensed real estate practitioners. The largest single-owned and -operated realty firm had less than 3 percent of all housing related closings in 2006. The largest national brand had less than 14 percent of all housing-related closings. The residential realty industry is truly among the most fragmented of any industry of its size and scope.

From 1995 through 2005, total sales of new and existing single-family homes grew from 4.4 million units to 8.4 million. During the same time, the number of Realtors in the country jumped from 720,000 to more than 1,350,000. The total value of the homes sold also increased from $695 billion to more than $2.1 trillion. Total commission incomes paid to real estate professionals also tripled during the decade to top $65 billion.

The years 1995 to 2005 also saw another great wave of consolidation in the realty industry, similar to that which occurred from 1977 to 1985. Over 420 leading realty firms were acquired in the 10 years ending in 2005. Through our work on the REAL *Trends* 500, we saw national firms such as NRT, HomeServices, Prudential, GMAC and RE/MAX grow substantially through acquisition. Several regional firms grew exponentially as well through acquisitions and mergers.

Driving this recent wave of consolidation was the growing realization that recruiting new sales professionals and increasing their productivity was a very difficult way to grow consistently. Two events further fed the trend: the aging of the ownership of leading realty firms and the entrance of firms with access to public capital markets and the desire to grow through acquisitions. Today, the two largest wholly owned realty firms are either publicly owned or part of a publicly owned firm.

As we examined these results, we began to observe that some realty firms grew faster than others during the bull market for housing and housing services firms. And they grew consistently faster. We also noted that some firms grew their sales faster than their total numbers of sales professionals. In addition, we found some firms that were able to exceed the national averages for capture rate for mortgages, title insurance and other services related to home sales. Many of these same firms consistently increased their gross margins and profitability, even though most in the industry saw margins decline in this same period.

As we investigated these firms further, we found they had many things in common, despite being different in size, location and brand name. *People Still Matter* reveals the keys to these companies' success and the lessons that can be used to improve a business ... or both!

It's the Culture of the Organization That Counts

We set out to discover which realty firms performed above industry averages and how they did so. During our investigation we thought we would hear about outstanding technology, creative marketing and financial acumen. While many of the firms we researched exhibited several of these attributes, people within the companies credited other factors for their success.

We learned instead that there are a few basic ingredients that each of these leading firms had in abundance that set them apart. These ingredients did not include technological prowess. None concerned size, geographical location, high average sales price or brand names. Rather, these basic ingredients revolved around respect, inclusiveness and the relationships that the firms' leaders had with the people of their organization.

In short, a strong and enduring culture separates firms that perform at an exceptional level from those that only perform well.

Culture is defined as ***the set of expectations, behaviors and attributes that combine to create a unique organizational character.*** These exceptional firms not only have set behaviors – "ways" of doing things and communicating – but they are consistent over time. While technology and market cycles may change, these firms don't change what they believe in or how they behave as they grow their business.

It is no different in these firms' relationships with their customers. From our past housing consumer studies, we know good "people policies" lead to successful relationships between realty sales professionals and their customers. Consumers' best relationships with realty professionals are driven by a belief that these professionals truly represent their interests, that they "care" about the client, and that they are highly trustworthy – such important characteristics when clients are involved in the most financially significant and emotionally charged transaction of their lives. Consumers' best relationships with realty professionals don't hinge on technology or information, or the able processing of a transaction.

Consumers' *relationships* with realty professionals matter most. Consumers value attributes such as trust, communication and transparency the most. So it is with the sales professionals and staff of exceptional firms. Our interviews with successful sales professionals confirmed that while technology and communication are important to their success, the relationships they build with their realty firm, customers and each other affect their success the most.

While firms today talk a lot about being "cutting edge" or "agent-centric," we believe that the concepts practiced by leading realty firms are much broader in scope. They don't pander to sales professionals, nor do they dominate them. They invest in and deploy technology, not as the core of their businesses, but as a tool to disseminate and share information with their employees, sales professionals and customers. As quaint as it may sound, the people of these successful firms, as one interviewee put it, "feel like we are all part of one big family," with all the warm feelings (and dysfunction) that are normal to any family.

The Leader

Just as the age of the celebrity CEO has passed in the larger business world, giving way to quiet, effective leadership, we found a similar evolution in real estate. The women and men who lead highly successful firms tend to be lower-profile individuals. Certainly many are well known, but more for their willingness to share their thoughts and ideas about the future when asked and not for always taking credit for their success.

Interviewed about their successes, they invariably talked about others, not themselves. They don't fall into the trap of thinking their talent led to their success, but rather to their good fortune in having good people around them.

We discovered that those who lead these successful firms tend to be very good listeners: They gather information as a matter of their daily routines. These leaders attend conferences as frequently as their peers, but tend to try different venues. They also encourage their people to attend different conferences as a means of broadening their experience and knowledge. It is as if they know that the knowledge they seek can't be learned in a single place and that they can't always be everywhere they need to be.

Relationships are Everything

The findings of our research are particularly important because the industry's main product is relational in nature. The industry does not "make" anything. MLS systems, the trade associations and national and regional brand names are organizational tools only. There is no manufacturing, no product per se. Not surprisingly, the most successful organizations focus on those practices and attributes that are related to their human resources.

Our research started with identifying 800 of the largest realty firms that REAL *Trends* has tracked for at least 10 years. We then measured and ranked these firms in four ways, using data from 1996 to 2005:

- First, we measured growth in closed transactions.

- Second, we measured changes in sales professional productivity. We define productivity as the annual number of closed transactions per full time equivalent sales professional.

- Third, we measured and ranked firms by changes in sales of core services and products. Core services are defined as mortgage, title and insurance products and escrow and other closing services.

- Finally we measured changes in unit profitability. Per unit profitability is from all sources including core services.

From this work, we found 15 firms that were in the top 100 of the first three measurements and that had increased profits during the 10 years studied. These firms had grown their closed business by an average of 302.5 percent versus 129.6 percent for the largest 500 firms. These firms also increased their sales productivity by 8.6 percent while the top 500 firms saw a reduction of 21.3 percent.

We then set up interviews with 10 to 15 sales professionals, employees and managers from each firm willing to participate. One firm declined to do so. We conducted a total of 169 interviews with people in these companies.

Of the firms in this group, six were independent and nine were nationally branded. The smallest had 140 sales professionals, while the largest had more than 3,500. There was one firm each from the far West, Southwest and Mountain states. Two were from Wisconsin and Southeast. Three were from Pennsylvania. Three others were from Mid-Atlantic States and two were from the New England area. Most were first-generation firms, but several were third- or fourth-generation firms. We can say, therefore, that location, size and age of the firm were not the major determinants of success.

The Lessons

From our research, plus observations during the past 20 years, the attributes and practices of the very best long-term performing firms are:

- Vision
- Transparency
- Communication
- Accountability for results
- Empowerment
- Discipline
- Community

The order of these attributes was determined by the importance placed on them by the people we interviewed. Thus, for example, we heard about the importance of vision more than we heard about empowerment. It does not mean however, that a leader can forget results, consistency or community. A thriving realty enterprise needs them all.

Vision

Vision, the No. 1 lesson, is also the most misunderstood and misapplied. Virtually every firm in the industry has a "Vision" or "Mission" statement. Few could recite them if asked. Even fewer linked day-to-day activities to these "statements." Further, far too many firms state generally that "we deliver the highest-quality real estate services through the highest-quality real estate sales professionals" without defining "highest quality" in either case.

For leaders in realty services, we define vision as ***the ability to describe what the organization wants to achieve and the beliefs and principles that support that objective.*** Without a clear idea of achievable goals and the behaviors that are acceptable to reach them, the organization is more a collective of individuals than a focused entity. Where the organization wants to go and what they believe about themselves is the essence of vision.

For example, we heard repeatedly: "Everything we do is focused on housing customers. If we focus everything we do on serving them, then our decisions become crystal clear." Thus the vision becomes clear – "to serve customers first in all that we do" – and it guides all behavior within the organization.

We also heard: "Our main vision is to assist people within the organization to grow, professionally and personally." These organizations believe if leaders invest time and effort in the "growth" of the staff and sales professionals, their companies will thrive. These companies commit to constant improvement at all levels and have found results will follow this focus.

In every case, we found that the leaders of these companies actively and persistently involved themselves in spreading the vision throughout their organizations. We heard examples of how the owners and other leaders repeatedly reinforced their companies' vision. In many cases, employees told us exact times and places from years before when the principals of their companies had referred to the vision in a personal way.

For example, we heard about one CEO, who was asked why he acquired a crosstown rival. He replied, "I have always believed that the leading firm in our town should be owned and operated by someone from our town. We believe that although our two firms started differently both firms shared a belief in the importance of building a company that focused on being a 'family' and not just a large corporation."

In another interview, we learned about a CEO who "believes that everyone has the talent to achieve real success and that the vision of the company was to assist every sales associate in every way possible to utilize their talent to achieve success."

Vision is not a business plan or a strategy. It is not a mission statement. In a real sense, it is the sum of what a leader believes should matter most to those who work for the firm as well as the experience its customers have had.

People within an organization need to have a clear sense of what "matters" to the leadership and what it wants to achieve. With such clarity, great results can happen. Without it, consistent results are far less likely.

Many people say that they have "agent-centric" organizations. They believe that everything they do is built around the sales professional (our term for agent) and that they have and will succeed greatly with this vision. It meets the test of a clear vision and one trusts it guides the behaviors of the organization.

This vision has a potential downside. By favoring one group of stakeholders over another you set up the potential for divisiveness. Those relegated to inferior positions in the organizations' minds likely will grow resentful over time. And those in the superior position will have to be monitored constantly as their relative power over others within the organization will almost certainly result in negative behaviors (people being people).

This in no way denigrates the value of sales professionals. Their skills and talents are hugely important to the success of any realty organization. But they are not the only components necessary for success. And sales professionals are usually well compensated for their talents and skills.

Some firms claim that their vision is to be No. 1 in sales, market share, in number of sales professionals or other numeric measurements. Nothing is inherently wrong about setting out to be the largest at something. Many firms have achieved outstanding results over time with this focus.

Potential problems arise, however, in using numeric standards as an organization's vision. The most obvious one is what your vision becomes if you actually achieve the top spot. Would your vision then become to stay No. 1? To extend your lead?

Second, focusing on size alone has caused some firms' profitability and productivity to decline.

We also found it interesting that of the 169 interviews we conducted, not one of them mentioned that their firm's objective was to become the largest. While eight of these firms are likely the largest in their service areas, no sales professional, staff member or manager ever said that the emphasis was on being the largest – or even that they were the largest. The firms became the largest by achieving other objectives, and by having a vision of those things that led to growth and significant scale.

Having a vision is the first key to building successful realty organizations. The vision must be communicated and reinforced in every way possible, formally and informally. It should define what you believe in and what you want to achieve.

Transparency

When industry insiders talk with their peers – sales professionals talking to sales professionals or sales managers talking to sales managers – discussions often turn to each group's complaints about the failings of others. Principals may complain that sales professionals always want a bigger piece of the commission; sales professionals may claim owners only care about making more money. Much of this dissatisfaction can be allayed with information and openness about the objectives and actual results of the other parties.

We found in our research that sales professionals misperceive realty firms' profits to be substantially greater than the actual results. We also found that principals and sales managers woefully misunderstand sales professionals' incomes and expenses. This misunderstanding on both sides characterizes most of the realty industry and contributes to numerous problems.

A transparent organization is one that is *free from pretense or deceit, is readily understood and characterized by visibility or accessibility of information.* In each of the leading firms, sales professionals, staff and managers alike described their organizations as sharing many kinds of information, and being very open and accessible. Several share information about financial and operating results along with sales results.

The staff and sales professionals of these leading firms sense that their firms are open and that the leadership willingly shares information with the entire organization. More than having regular sales meetings, employees feel, as one sales professional put it, "like there is no information that we are not privy to. We hear about the market, where we stand against our plans, how our competitors are doing and even where we stand on our plans for profit."

Another commented, "Our leadership is accessible almost all of the time right up to and including the CEO. And there is virtually no question that is off limits at meetings."

A transparent organization not only shares information well, but also is accessible and open to discussion and questions. In addition, opinions and other input are sought frequently from others in the firm. Staff and sales professionals from leading organizations feel that they are participants, not mere observers, in the organization's plans. One staff member said, "We are constantly asked for our input into plans. We have a sense of knowing what is going to happen and just as importantly, why the decision was made a certain way."

Transparency helps build respect and trust in leading organizations. One sales manager said, "Being a part of our company means that we not only have the assurance of knowing what is happening in our own business, but our leadership shares what is happening around the industry. It gives everyone a higher sense of comfort knowing that our leadership is out in the industry and picking up information on trends."

Being a transparent organization also entails certain risks that leading firms are willing to accept. The risk often stated is that too much information may just confuse people. And that sharing and asking just begs more questions and more input.

Many leading firms have councils of sales professionals and sales managers that regularly review plans and provide input to the leadership. Transparency also may mean that leaders will hear uncomfortable or challenging ideas.

Decision-making can take longer. In addition, some employees won't believe their ideas were heard or won't agree with the conclusions, despite leaders' best efforts.

Leading organizations accept these risks in being transparent. Whether consciously or not, leaders of these firms hold to the belief that the benefits of horizontal communication and openness outweigh these risks.

One sales professional said, "We have always had an open-door policy here. I have always felt that the leadership here listens to what anyone has to say and appreciates the contribution. As a result, I think the level of trust around our company is much higher than other companies we compete with."

Our research indicated that there is a direct tie between an organization's level of transparency and its level of trust. The leading firms we studied enjoy a higher degree of trust among their people than we have generally seen elsewhere. Numerous people said that they trusted leadership more because of the sharing of information, plans and objectives. One said, "At our firm everything begins and ends with relationships. Everyone knows that from the first day they are here and if they don't get that there are those who will help them understand it. The trust we have with each other is a result of the willingness of everyone to be open with each other."

Perhaps one person summed it up best: "Much in life is unstable and uncontrollable. Within our company, we try to eliminate as many of these factors as possible. The main way we do that is by sharing information and intelligence with each other, at all levels. As a result, we feel more able to deal with the uncertainties of work and life because we trust that all of our people are essentially working for each other." Transparency does more than just affect productivity. It establishes trust.

Communication

In an industry where the major resource is talented sales professionals and management, and the values being offered are skill, talent and experience, the largest challenge to moving an organization forward often is the lack of communication. The leadership of any organization in a competitive market must create an environment where information moves freely throughout the firm. Vertical communication, where information moves from leadership to the organization and vice versa, is equally important as horizontal communication among peers across lines of authority.

Communication is ***a process by which information is exchanged between individuals through a common system of symbols, signs, or behaviors.*** Communication in leading realty firms, we found, runs the gamut: formal and informal, regular and irregular and vertical and horizontal.

These firms focus on ensuring that information is shared frequently with their staff and sales professionals, and that staff and sales professionals also have ample opportunity to exchange information with each other.

With the explosion in tools available for disseminating information, these firms rely on a mixture of both new and traditional methods for sharing information. E-mail, video broadcasts and multi-media presentations exemplify the new tools. Existing methods include sales professional councils and management retreats. Leading firms, our study found, regularly use a variety of these tools to communicate with their organizations.

Generally, most realty firms have regular sales meetings at the sales office level as well as perhaps quarterly or annual sales meetings with all levels of the firm. Most firms also have management retreats for their top executives. Each leading firm had these in abundance – some a bit more than others.

However, we found that leading firms exceed the norms of communications in four ways:

First, firms in the study did more “bottom up” communication and also worked diligently on “horizontal” communication across operating units and lines of authority.

Horizontal communication is related to being a transparent organization. It is also viewed as “idea exchange.” The exchange of information and the question-and-answer session remain at the heart of leading organizations. Most realty firms, however, lack these elements.

Second, leading firms regularly schedule communications and treat their sessions as high priorities. Whether taking the form of weekly sales meetings, quarterly business reviews, monthly luncheons or sales professional councils, they are seen as important events that are properly planned with agendas and fixed starting and ending times.

These firms place a high priority on meetings, e-mails and personal phone calls. Other personal communications ensure that the individual is recognized through things as simple as birthday cards or though special recognition events.

Third, we found that the leaders of these firms are seen as very good at listening. Repeatedly, people said, "They listen well," "They are very open to ideas and input," or "They are very accessible." Leaders of these firms seem to accept the responsibility of reaching their people frequently, and rather than instructing them, allowing the staff and sales professionals to instruct and inform the leadership.

Fourth, we heard that communications of all kinds are welcome in these organizations. Leaders in these companies do not "shoot the messengers" and they take the time to listen to many people's input. These leaders were constantly described as "accessible" and "open." Virtually every person told us that they felt they could call the principals directly as needed. Being open to input from throughout the organization is an important characteristic of a great company.

These kinds of formal and informal, regular and irregular, and vertical and horizontal communications also lead to greater trust within the organization. We frequently heard sales professionals and staff discuss communications and trust. They said that the form and frequency of communication had a direct bearing on their willingness to trust the leadership when new programs, acquisitions or structures were introduced.

Last, reflecting the definition of communication as "the transmission of symbols, signs and behaviors," leading firms take great care to address people properly in their organizations. Some use the term "sales partners" when referring to their sales professionals, while others use "sales executives" on business cards and stationery. Most businesses discount the importance of such symbolism. These leading firms seem to understand its importance instinctually.

Accountability for Results

Accountability plays a greater role in the business world now than in the past. Today, public companies' stock prices move immediately when financial results vary from the expected. The federal No Child Left Behind Act attempts to measure elementary and secondary schools' results and holds educational leaders accountable for them. Coaches of high school, collegiate and professional sports teams come and go based on their ability to produce winners. Results, some say, are all that matters. Actually, accountability for results matters.

Results can be defined as a ***condition or occurrence traceable to a cause or something attained by effort. Results are the outcome of actions, plans and efforts.***

Accountability is defined as ***an obligation or willingness to accept responsibility or to account for one's actions.***

In the business world, results are often measured by gains and losses in sales, profits, stock price and market share. Financial results are one main outcome of business activity. In the residential realty business, firms measure results in numerous ways. As mentioned, the yardstick could be profits, market share, sales totals or capture rates of mortgage or title insurance. The numerous designations and awards for achievement in sales or revenues also can measure results.

In large, publicly held firms, leaders know their compensation and continued employment are tied to delivering results. In virtually every organizational endeavor, consequences, negative or positive, arise from being accountable for results.

Realty firms, it's commonly heard, measure the wrong results or don't measure them at all. Strong markets for their services, it's said, have rendered moot the realty business' need for careful analysis of operational and financial results.

In an industry where more than 70 percent of all realty firms have fewer than 10 sales professionals, it's no surprise that most firms, especially the smaller ones, invest little time measuring any result other than whether the business making a profit.

Actually, this discussion misses key points. Leading realty firms, such as those covered in this study, outperform many other financial services industries, such as banks and insurance companies, in terms of profit margins, return on invested capital, growth rates and productivity measurements. They also outperform many personal service companies, such as home maintenance, health care and tax preparation firms in these categories.

Most realty firms are privately owned closely held enterprises. Most have one or two owners. They do not have investors or outside board members holding them accountable for results. Yet most of the largest realty firms measure results and do have some standards to which they hold company leaders accountable.

During our interviews, we asked people whether they felt that their firms cared more about the people and the relationships with the people of the company, or more about results. We also asked them whether they felt that the leadership held their staffs, management and sales professionals accountable for results.

Unanimously, they answered that they perceived that their leaders first cared about people as individuals and relationships, but that results and accountability for results were only a short distance behind. They said that the results being measured varied from recruiting and sales to capture rates and profit. In most cases, measuring sticks also related to behaviors, ethics and communication. In each firm, the measured results, as well as the levels of accountability, varied. But in every case, both were present.

In Patrick Lencioni's book, *The Five Temptations of a CEO*, he lists as one temptation the CEO's inability to be clear about expected results and the accountability relating to these results. Many CEOs also want to be "liked" instead of holding their senior team accountable for results. This is endemic in the residential realty business.

Leading firms, however, all directed by gracious and caring leaders have found ways to:

- First, convince those around them that they care about them as people, and;

- Second, set a clear expectation of what is expected in terms of results, along with the accountability for those results.

One of the best descriptions of this came from a CEO who told his top sales professionals that "the company is responsible for being the very best at providing an environment where sales professionals can succeed. We must be the absolute best in marketing, education, facilities, support staff and every part of our company. We measure these every day and hold those responsible in each area accountable for their service objectives.

We also believe in unlimited opportunity for every person in our company, and would never stand in the way of someone finding a better opportunity. We also believe that for sales professionals. Should there be a better place for your business you should pursue it as a matter of self-interest.

We balance our desire to be the best with the knowledge that you are free to move your business elsewhere. We share the financial rewards and costs. And we think our responsibility for service delivery and the commission and fee program we offer is balanced properly. If you think otherwise we would respect your right to move your business."

This CEO set out clearly what he expected of the staff in serving the sales professional. He also detailed what he expected from those sales professionals – not in terms of sales or gross commission, but in their clear understanding that the company respected them highly and expected their respect in return.

Some leading firms are stronger in accountability than others. Some act more quickly than others to make adjustments in their leadership staff and sales professionals when results are not forthcoming. Virtually all top managers consider it a failure when they have to make such changes. To them, one team member's failure is their own failure as well.

Interestingly, these firms that have achieved above-average results for the past 10 years have been able to build trust within their companies as well as hold people accountable to greater extent than most of their peers.

Their results speak to this fundamental truth. Leading companies instinctively know that an organization cannot measure results and hold people accountable for those results without first establishing a level of trust with those same people. They also know the hard side of that issue: Not all people will reward that trust with results.

An interviewee told us, "We don't compromise on ethical and professional standards and we know there are top sales people who come and stay here for that reason alone ..." Another person said, "We have a great deal of autonomy in our jobs. We also have very clear objectives and to not meet them is cause for great concern." Still another said, "We measure almost everything and review our results at the sales level every week and at the sales agent level every six months and for all of our staff people each year. I know of many whom aren't here because they did not get their sales up or their jobs done as they were expected to."

Throughout our research we heard these messages from sales professionals, staff and management. Are these firms quick to act and overly tough? Most thought their firms were not as tough and quick to act as they should be. Still, almost every person told us their leaders handled these actions humanely and professionally.

We have heard many in the industry decry the decline of industry standards and ethics in the past few years. They see sales professionals who cut corners or fail to communicate with customers. In our industry research during the past five years, we also heard this from many sales professionals about their peers.

Unfortunately, we found behavioral lapses in some leading companies as well. Several people told us that they knew their leaders had little patience for such behavior, but that they too often took longer to act than some found consistent with the firm's principles.

Still, we found that leaders who encountered inappropriate behavior took action sooner or later. Leading firms have little tolerance for those who endanger the company's trust with its people and with its customers.

Leading organizations get results first from building relationships of trust with their people. They set objectives and expectations. They hold people accountable for results, but often do so in ways that are seen as professional and humane. And they measure results, not just in sales or profits, but equally often in ethics and fair dealing.

Empowerment

Realty firms rely on personal relationships to make their businesses work. In virtually every discussion we had in working on this book, people stressed the importance of relationships to discuss critical business choices, decide on the direction of the firm, and examine the market and competition. All rely on strong relationships among the leaders, the management and the sales professionals.

In our investigations, we looked at what parts of a "relationship" mattered most. Was it the personal side, the time people had been together or some other factor? What seemed to matter most to sales professionals and staff alike was the extent to which the leaders of successful companies "empower" those throughout the organization to make decisions concerning their work and careers. Good leaders push down responsibility and accountability throughout the organization to create a sense of "ownership" at the lowest level possible in the firm.

Simply put, ***empowerment is the act of establishing a system or environment that allows people to have more control and responsibility over their actions.*** Organizations that can establish and support an environment where their people can act without asking permission frequently find that their people are more creative and more involved than firms that don't.

Words we heard that described empowerment included:

- collaborative
- egalitarian and
- companywide environment

The staff, management and sales professionals of these firms felt they were involved business partners, not simply a piece of the company. They believed that their input was welcomed, that they had the freedoms to create new programs or try out new ways of getting better results, and that generally they had authority to develop ways to achieve their objectives.

From our work in the industry, we have seen several realty firms that appear to provide this kind of environment. Many managers seem to have unlimited authority to create or amend their positions and power as they see fit. However, often this is not due to the leaders fostering an empowered environment, but because leaders are little involved in their business at the organizational level. Many mistake being uninvolved with being empowering. ***Often the lack of accountability and vision disguise true empowerment.***

In the short term, this can get results. In the long term, chaos occurs and results in losing market share, sales, profits and – frequently – the firm's best people. Firms shouldn't confuse the development of a "hands-off" policy with the objective of empowering people.

Empowering people in your organization usually sets the stage for creativity and innovation. While we found no particular tie between firms' innovativeness and their environment for decision-making, we did hear that decisions affecting everyday commerce were handled at much lower levels in the organization.

Moving everyday decisions to a lower level may not seem to add to an organization's creativity, but it tends to free up senior leaders' time for researching and creating new growth strategies and making other key decisions. Leaders pass on disputes best settled at the sales professional or office level.

To empower your people, you must first help them understand the company's vision, communicate well with each other, be transparent in sharing information and be accountable for the results of their decisions. As we said before, many firms mistake unruliness with empowerment. A firm demonstrating vision and accountability is more likely to have "organized chaos." The firm that has neither vision nor accountability has only chaos.

One other observation about empowerment: Many people like to think that they are in such an environment. And they tend to like the feeling of having more control over their areas of responsibility. In a true leading firm, empowerment has two key components:

- First, the organization has the ability to give employees more control over their work environment and results.

- Second, the organization also must ensure that there are ways to hold these same people accountable for results.

This is not to mean that punishment is swift and unfeeling when mistakes are made, but that there is a system for analyzing how decisions were made, comparing them to results, and making changes based upon what was learned.

Discipline

During the 1995-2005 bull market for housing sales, gross margins declined, sales associate compensation rose dramatically and, while profit margins shrank, overall dollar profitability rose significantly for most realty firms. For the firms on our list, profits rose faster than in their peer companies. The presence of discipline contributed significantly to profit growth in top companies.

Discipline is defined as ***orderly or prescribed conduct or pattern of behavior; a rule or system of rules governing conduct or activity.***

All firms we studied exhibited a system of "orderliness" about them – without rigidity. We discovered each had rules and policies, both written and unwritten, that were important to each person we interviewed. Whether forming a business plan, doing annual budgets or planning events or marketing campaigns, these companies work out not only ways of doing things, but also systematic ways of doing things.

Many people would say that realty service firms are best when they are entrepreneurial, make decisions by "gut" and value individual skills over the organizations. That may have been true in the past and is likely true for most of the industry today.

Leading firms, however, don't leave to chance or gut instinct the process for developing information, sifting through alternatives and setting up plans. Leading firms are disciplined about their processes.

Some people would say that systematic approaches to the realty business result in too much bureaucracy, or that a firm loses its personal touch if it has too many systems for dealing with issues. As Lencioni says in *The Five Temptations of a CEO*, failing to clarify what you expect of your people is one of a leader's deadliest sins. Without systems and the discipline to follow them, firms will either be drowned by too much or too little information, or have decisions made without workable plans for implementation.

Discipline shouldn't be confused with accountability for results. Discipline is how you work; accountability measures the output.

Discipline is an organization's framework for addressing its processes. Accountability is answering for the outcome of the process.

In leading firms, we found that sales professionals and staff alike described their companies as entrepreneurial and willing to try new things. They also said each firm had a process by which the company gathered and processed information, developed a plan and then carried out the plan. In each case, the outcome was a well-executed plan, event or business expansion. Rarely did we hear that ideas appeared thrown together.

We also found that once leading firms made decisions, the organization was expected to adhere to the plan. One manager said it most clearly: "We all have input into most major decisions. Everyone has the chance to voice an opinion or share an idea. But everyone also knows that once a decision has been made the time for discussion is over – period.

Little dissension is tolerated once a decision has been made. And I think that is one of our strengths. We don't keep revisiting decisions."

These firms are disciplined about their communications as well. For instance, in most firms, the CEO sends personal notes to sales professionals and staff on their birthdays or anniversary dates with the company. Many make it a point to attend sales meetings regularly. They routinely meet with their organization to share what they learned from outside conferences or what they read. We heard frequently that CEOs who share what they learned outside the firm and the market created stronger trust. Their people felt that the leader was staying well informed for their benefit and the company's.

But discipline goes beyond sending cards on key dates. These firms are disciplined in almost everything they do. Regardless of whether they are communicating, budgeting, business planning or holding routine meetings, leading firms use a planned process for getting things done.

Community

Sales professionals gather regularly with staff for a variety of reasons. These events range from weekly sales meetings to annual awards dinners to company-sponsored trips for high-producing sales professional and senior staff. All of these events lead to the development of a "community." And building a community, more so than a company, is an important part of the foundation of great companies.

However, this foundation involves more than just developing a "community" among the people of a company. We were surprised to see how many top companies were involved with other communities.

While most realty firms donate to their local communities in some fashion, leading firms apply all of their energy and talent in this area.

Almost everyone we interviewed commented about the importance of charitable giving and community support. In each case, interviewees said they were proud that their company gave back to their communities. Firms often used the power of their numbers to turn out many volunteers when the community called.

These leading companies give more than money. The leaders involve everyone in the firm in researching where they can do the most good and how recipients would benefit from the company's participation. Some have set up legal entities to serve as their charitable arms. Others set aside monies from closings to regularly fund charitable activities. The organization is involved from the top down, and from beginning to end.

We learned that relationships among people within an organization are equally important as the firm's relationship within the greater "community" within the cities and towns where they operate. Sales professionals and staff alike expressed their pride that they were part of something larger rather than just holding a job or selling something. While some people might think this sense of larger community sounds somewhat corny, we found it to be part of the "invisible" glue that links people to their company.

Don't overlook the fact that most people, regardless of their professional status, enjoy belonging to an organization that gives them a sense of pride and personal satisfaction. While top sales professionals can sell anywhere (so the thinking runs), they also value belonging to an organization that gives back in a meaningful way.

A Review of the Lessons to Long Term Success

Vision

- Know what you want to achieve.
- Know who you are and what you believe in.
- Know how you want to be viewed from within and outside your organization.

Transparency

- Be open with your organization.
- Share results, successes and failures.
- Learning should be shared throughout the organization.
- Establish methods for allowing questions from within.

Communication

- The best communication is too much communication.
- Communication must be two-way.
- Opportunities for communication must be both vertical and horizontal.

Accountability for results

- If it can be measured, it can be managed.
- Set objectives and measure results.
- The more specific you are about objectives and acceptable results, the greater the likelihood you will get desired results.
- Transparency and communication count heavily – be open about your expectations and be transparent about results.

Empowerment

- You cannot do it all by yourself, so share responsibility throughout your organization.
- Match the responsibility for results with the accountability for getting it done.
- Recognize everyone, regardless of position, for delivering results.

Discipline

- Every part of your business should have a plan.
- Review the plans and results frequently.
- Be consistent about your meetings and your processes.

Community

- Being a part of a company is one thing. Being part of a community is entirely different.
- Establish methods to build communities inside and outside your organization.
- Supporting your communities pays off because your organization feels proud to play a part – which often leads to employee retention and higher morale.

The leading firms identified in our research
(alphabetical order)

Allen Tate Company . . . . .Charlotte, NC

Century 21 Mike Bowman . . . . .Arlington, TX

Coldwell Banker Prime Real Estate . . . . .Albany, NY

Coldwell Banker The Real Estate Professionals
. . . . .Appleton, WI

ERA The Massiello Group . . . . .Keene, NH

Howard Hanna Company . . . . .Pittsburgh, PA

Patterson Schwartz . . . . .Wilmington, DE

Prudential California Realty . . . . .Pleasanton, CA

Prudential Carolina Realty . . . . .Charleston, SC

Prudential Connecticut Realty . . . . .Rocky Hill, CT

Prudential Fox & Roach . . . . .Philadelphia, PA

Realty USA . . . . .Buffalo, NY

RE/MAX of Reading . . . . .Reading, PA

Stark Company . . . . .Madison, WI

Tomlinson Black . . . . .Spokane, WA

Success does not result from technology

Today's business environment seems like the title of a Temptations song, "Ball of Confusion." Emerging technologies, new competitive threats and changing demographics have always been factors influencing leaders. Now, add to that entirely new business models, dysfunctional regulatory environments and dealing with the personal and behavioral differences of new generations.

Technology? Everybody in real estate talks about it, but it's really not the lynchpin for success. To win in realty services, you need good "people" skills, communications know-how and leadership.

People Still Matter shares the stories of 15 leading firms that have consistently outperformed the industry in terms of growth, productivity and profitability. Based on eight months of research and nearly 170 interviews, the book demonstrates that vision, transparency, community and accountability top Web sites, Internet strategies and other tech tools in creating successful realty organizations.

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