

# What Keeps You Awake at Night?

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Owning and running a real estate brokerage is hard work that does not fit into a standard day, in fact some of the problems and opportunities can keep you awake at night. Seven brokers representing a cross section of brokerages were asked to name the business issues that keep them awake at night. Here is what is on the top of their minds.

## ***Broker 1***

Broker 1 is a highly involved and charismatic broker. Her style is high energy, business oriented and relationship driven. The markets that she serves leave little room to make money if you are not number one. Motivating her staff, is far more than words at a sales meeting or a contest but a constant flow of support, information, ideas and catching people doing things right. It is a regular diet of motivation.

In terms of keeping her company on the cutting edge, she is heavily involved in the local business government, and state business communities.

The weather forecast here is always “brainstorm.” Ideas and concepts that she comes across or brought in by staff are evaluated individually and as a group with a constant look at the return on investment.

Running a tight ship means making sure that the work is organized in a way that none of the basics are missing but keeping interest high. When jobs and functions settle into routine, they can become boring and often begin ebbing away. An inspection process complemented by the concept of “catching people doing things right” and strong initial training with reinforcement keep her in control. The big stuff can take your business away from you quickly but not paying attention to the items that must be routine is the silent killer.

Customer service and value of service delivered was mentioned several times. Delivery of customer service means far more than making sure that a house is sold, contracts and forms are correctly filled out and the time table met. In a highly litigious society, it also means risk reduction and addressing issues that come up before, during and after the transaction. This translates to not only training but monitoring all transactions tightly and keeping an ear out for items that can cause problems.

The value of the service delivered is equally important as it has a direct impact on the vitality of

Broker 1 – Multi-office, franchised, small towns, rural and resort areas. Under 25 agents.

1. Keep staff motivated, thinking creatively “out of the box” keeping the cutting edge.
2. Organization, repetitive basics in place without creating boredom.
3. Staying focused on the right stuff to deliver quality customer service with buyers and sellers.
4. Keeping a firm hand on the business side of the house with strong cost consciousness.
5. Grow the business, increasing the black ink on the P & L.

the business. If the perception of customers and competitors in the market place is one of good value delivered, quality, conscientious, professional service and “ownership” in the relationship, you could not afford to buy it. It can only be earned. However that perception is very fragile and easily negated through bad experience that is quickly communicated.

Most of the brokers spoken with also understood the need to keep a firm hand on business issues with keen attention to costs. Key issues that came up were the ability to control costs and what to do about costs that were felt to be controlled by outside influences.

Growth, but smart growth in the business, was another area for most of the brokers. Most are strong business managers using tools and software applications to give them accurate data to know not only where they stand today but also what the relationships of costs, income and the bottom line are comparative to past periods of time and some are beginning to develop forecasts and business models to look toward the future. This represents maturation of the industry which at one time believed that the secret to success was more agents creating more transactions.

## ***Broker 2***

Broker 2 is a very sophisticated lady who recently bought an existing business. She has taken it through many changes including franchising and is in a cut throat market. The amount of change has been exhausting and while there are positive changes, there has been an impact on the business.

Broker 2 – Multiple offices, recently franchised, upscale area in metro area. Under 50 agents.

1. Cash Flow
2. Recruiting
3. Competitive Issues
4. Client relationship
5. Profitability, especially the erosion due to automation and legal issues.

Cash flow was her number one concern. Businesses that are making the kind of changes she has embraced often are hit by a financial curve ball. Although she bought an established business, it had baggage including the perception of being a sort of a “club;” commission plans that will break the bank; and infrastructure issues as the previous owner supported business costs as a part of costs spread over many enterprises. A stand-alone cost structure, the need for new locations, facilities and equipment upgrades as well as significant changes in staff, would be enough to cause anyone nightmares.

Recruiting is always tough but even tougher if your agents consider their office to be “full.” Her agents need to see value and not the degradation of their opportunities to become full partners in building the offices and the company. Her market has few smaller offices and is controlled by regional giants. Offering a value package that will fit within her budget against competitor offerings where costs can be spread over a much larger base is tough and may require that she build on the boutique environment that she inherited as an asset. Concentration on employing strategies that cultivate a recruiting pipeline of new and experienced agents will be important.

The competitive issues in this market go beyond size and ability to spend but have been exaggerated by issues brought to arbitration and or legal action. This scramble for a piece of the pie tests changes made in business practices such as procuring cause, implemented by the

Board of Realtors in that area and the state. As is often the case with new documents, agreements, and practices those who are the first guinea pigs pay the price to smooth out the wrinkles.

Issues related to who owns and maintains the client/customer relationship were brought up by several brokers. While the concept that the agent owns this relationship with the company having a more generalized relationship status rather than a specific one to one relationship, is nice in theory. It does not work in practice as many agents do not see or place value on what it takes to develop a marketplace with a customer base. Usually the agents will be very good with selected customer relationships but do not apply the same concepts strategically or as a part of building the company. In some cases they feel infringement if the company seeks to take a very active customer relationship management (CRM) strategy. CRM is now being seen in the global 1000, this is a key to long term business development and is a win-win situation at every level if done correctly.

Broker 3 – Multi office, independent, metro area, upscale & blue collar. About 250 agents.

1. Bottom Line
2. Market Share
3. Competitive Changes.
4. Franchise vs. non franchise
5. Good managers for offices

### ***Broker 3***

Broker 3 is a gentleman who runs the residential division and has a small ownership interest. Currently the owners are not involved in the day to day business. They are considering franchising the company and seek only limited input. Additionally, he has little financial latitude as the ownership controls the purse strings.

The bottom line for this company has become just about the only thing that the owners look at. Strategic growth, development of business through the offices and the agents does not appear to be their top of mind awareness but is key to the thoughts and life of the broker.

Historically, the company has held a dominant market share in several areas but that is eroding in part due to changes in the competitors. The changes that the company has not prepared for are due to two forces. Significant change in the competition is through mergers and acquisitions and faceless, non-traditional competitors coming into a virtual presence through the Internet. Old competitive strategies and market-share calculations no longer apply.

The concept of franchising is not the problem as much as how to make the transition and create a value package that does not deny the message that they have held on to for years built on their independence. His concern is not only holding on to the agents but also the impact of the cost structure that comes with a franchise vs. the benefits that will be brought.

Good management talent for the offices is always a key concern. Without a career path and recruiting the company is constantly seeking and or developing the next manager. The company suffers significant disruption whenever there is a management change regardless the reason.

## **Broker 4**

Broker 4 long ago developed a reputation for being a great trainer, able to take new agents and bring them to productivity and good business skills in a short time. Hence, he is the favorite broker to recruit from making agent retention followed by recruiting constantly on his mind.

As his skills and excitement is in the new agents, the environment of his company is perhaps a bit skewed to accommodate new agents.

He has several long-term high producing agents, but his office is not seen as the place to be if you are a seasoned agent but rather as the place to start.

During the call, a technician was there and had been for over four hours working on problems that had little to do with internal technology, but were created by phone company and MLS changes. His concern was not about the costs that he can budget and control but rather those that are the result of outside forces.

The franchise that he joined several renewals ago has changed significantly. In the past, brokers formed a cohesive brotherhood and the franchise brought value in terms of image and business resources that were valuable and gave the smaller companies competitive strength without breaking the budget. Now he feels that the franchise is very impersonal and wants to insert itself into his business, selling him a number of cost-plus services. Weighing staying with the franchise, leaving it or associating with another are constantly in his thoughts.

He and his wife, who is the top agent, are looking at the demands of the business and say to one another frequently “Are we having fun yet?” and “How long can we keep up this pace and stay healthy so that when we retire, we will not be worn out.” Considerations on succession plans and the value of growing the business at what cost are items on ongoing discussion.

Broker 4 – Single office, franchised, suburban & rural areas. Under 20 agents.

1. Agent retention
2. Recruiting
3. Creeping costs such as technology overhead.
4. Changes in the franchise
5. Keeping healthy while running a small company.

Broker 5 – Multi-office, independent, large metro, suburban & rural areas. Under 400 agents.

1. Profitability
2. Expansion while staying in the black.
3. Risk management – what are the agents doing that we do not know about.
4. Strategic planning, keeping on the right course.
5. Technology

## **Broker 5**

Broker 5 has been enjoying the benefits of a strong market, a good position built strategically and size. He is not the owner of the company but is empowered to make decisions and execute financial commitments. The residential company is only one of the businesses run by this company.

Profitability is always a key issue not only for the company but additionally as his compensation is directly tied to the bottom line. The compensation issue requires that all

growth issues for the company be weighed heavily in terms of the cost of the growth and the time line for return as the effect is far different than that which might be viewed by the owner where the cost of growth also often builds equity in long term returns.

Strategic planning is critical to growth while staying in the black as growth within current marketplaces will not be enough to satisfy the objectives of the company. He must grow outside to new markets.

Technology is a key that he sees to being able not only to grow but also keep a cutting edge in the market. Although there are high initial costs to some of the tactics he is working on deploying, the benefits should decrease dependence on some more traditional phone and print communication and information systems as well as give him better opportunity to use the data he will obtain to target business, structure budgets and enhance customer relationship management.

## ***Broker 6***

Broker 6 took over the reins as principal broker about two years ago from his father. Whereas his father used relationships as his key strategy, the son wants to make sure that the business side of the house is in order and retain the relationships but only as they relate to the business. He cut his business teeth in the insurance industry (also owned by the family) with a formal education in business. Hence his perspective and ways of looking at things are different from his father.

He feels good about the changes that he has been able to make and the goals attained. A good market significantly aided the transition.

The question he asks himself continuously is how he will help the agents see value in the business driven to them by the company. Initial tracking has shown that well over half of the business is a direct result of company efforts and that the agents for the most part do not work leads they generate but rather business generated by the company and repeat business from past transactions.

There is longevity in the staff both in terms of age and tenure. This maturity and contentment with the way things “have always been” brings a resistance to change and impedes a business perspective. He knows that a challenge he will face is how to recruit the agents that will be the successors to the business of these agents.

His background in business has helped him to understand the value of information that can be used to enhance, manage and succeed in making needed changes in a timely fashion. To do so, he must be able to capture information from the

Broker 6 – Single office, independent, niche market in metro area. Under 40 agents.

1. What professionalism means and how to incorporate that in a mature staff.
2. Helping agents become business people.
3. Helping the agents see the value proposition the company delivers.
4. Capture data at the front desk and throughout the transaction..
5. Setting and succeeding in goals set.

front desk and throughout the transaction. Systems that he has implemented now capture some of the information at the front desk which has validated that the source of the business in the office is primarily company generated. He still has to find a way to gather information throughout the transaction to be able to set and succeed in the goals he would like to achieve.

## **Broker 7**

Broker 7 feels blessed to have chosen the route of the 100% concept with agents holding an invested equity position in the company, their offices and their individual business. Not having to think about how to have the agents initiate or develop business sense takes away a major burden so that she can focus on building the business.

Although her business format is different from the other brokers, the competitive challenges are not in terms of gaining market share. But in recruiting as not every agent will be right for this strategy.

Broker 7 – Multiple offices, franchised 100% concept, suburban & rural areas. Under 75 agents.

1. Staying ahead of the competition.
2. Effects that the economy has on the business.
3. Taking the agents & the company to the next level.
4. When agents are unhappy – how do I fix it?
5. Delivering better value to customers and agents?

This broker makes good use of data and business analysis to target markets, business opportunities and strategies to gain market-share and develop new markets as well as help agents develop their business. She always questions if she has enough information and the right information.

The economy does have an effect on her market as many customers and potential customers are invested in technology and dot .com companies both in terms of committed money and regular

paychecks. This is an area where she has little control except to make sure that she balances her tactics to include multiple markets.

The company has come a long way since she started as a pioneer with the concept in her marketplace but she is constantly thinking of how to grow and improve to take the company and agents to new levels while increasing the value delivered.

Perhaps the biggest thing that keeps her awake at night is thinking about how to “fix” things when an agent is unhappy. Eventhough her company has grown, each person is still individually important.

While none of the brokers talked to are actually loosing sleep, the issues that they expressed are similar to all brokers. Here are some of the solutions and approaches that they have incorporated in their business.

Broker 1 utilizes her work in economic development as a key element to running her business. Success in this area has made her a bit of a celebrity in wider circles than just her local market. This is a drawing card for business and works as a magnet because people want to be associated with a person who is recognized and makes things happen. Ideas to be proposed for economic development are a part of the office meetings bringing full involvement from the germination of an idea through its realization. As her market is so limited, winning in terms of economic development also means the creation of jobs and business which directly translates to real estate need.

Recognition, recognition, recognition – every opportunity to put a person’s picture and or story into the media, win an award through the franchise or board or in any way make sure that her people are recognized for good work, is taken. Although others are involved in seeking recognition opportunities, this is one task that is never delegated.

Focus is maintained by sharing the state of the company at each meeting with the agents and staff as if they were stockholders in the company. Key business issues and opportunities as well as performance are discussed openly with input sought and utilized. As the market is very limited, this has been a very important part of maintaining loyalty as anyone considering breaking away and starting their own company knows the odds they can expect to face which is usually a pretty strong deterrent.

Broker 2 is at a point where even if she cuts costs, she can not save her way to profitability. Her company must grow and it must be through recruiting. Her recruiting plan must be comprehensive and not focus only on new agents she can grow or simply on high producers currently in the market. There has to be balance with a driving force that attracts agents and people with consistently applied effort to recruiting. Too many distractions have taken recruiting from the forefront of focus to the backseat. Campaigns that are begun and then stopped or slowed down because of other issues have taken their toll.

To develop her recruiting pipeline, she must do it by creating a business plan with full understanding of who and how many come into the business in her area and the motivating factors that make agents change companies. This requires facts and not perceptions. All agents and staff in her company must be enrolled in the process of growing the company. Taking the approach of treating them as stakeholders in the company will be important. Although good recruiters are hard to find, someone with a background in business development could be key. Building the value package that enhances what the regional giants cannot offer in terms of environment is important.

Broker 3’s company has made the decision to franchise. Cash and other incentives were far too lucrative from a business perspective. The franchise in this case, as in many others had selected two top independent multi office firms and made rather generous offers which could be accepted by only one of the two companies. The first one to step up to the plate would gain not only financially but also potentially be able to take advantage of the momentum the change can bring if managed correctly.

A part of the opportunity comes in that it is unusual for the agents in a community to be totally shielded from the news that there are negotiations taking place with a franchise and also to

have them not feel that there was a “winner” and a “loser” in the companies that were being sought by the franchise. Taking an aggressive position and acting like a winner will make all of the difference in the next 60 – 90 days and will determine the company’s success in franchising as a strategy. This is also a point in which stepping on the recruiting gas pedal for management talent will potentially ride the energy and excitement brought with the change. Well managed change will rarely lose agents and is often a real boost to business.

Although Broker 4 really enjoys the new agents, the skewing of his organization to accommodate those agents is a large part of the problem in retention. Agents who start their business with him always have him in high regards but the environment of the office is one to graduate from rather than grow a career in. Setting up his office a bit differently to have an incubator section separate from production areas made for agents with an established business is a prime suggestion. It will also mean a different style of management for those agents, perhaps even a different manager.

His wife’s production even though she brings business to the office rather than competing with the agents in the office for the business is a part of the problem in recruiting and retaining experienced agents. He will need to make sure that the value of the business she brings to the office that others share in is well positioned. He will also have to keep a top of the mind awareness that his pride in her success often makes others feel that they will always be in her shadow.

His investment in technology would support a much larger number of agents with little additional investment. Spreading the costs of items such as technology over a larger base will also spread the costs of what cannot be controlled so that there is less impact. This office needs to grow and will probably require the grooming of an heir apparent to make it so that the owners do not wear themselves out in the process. A career development plan that is open to all may be a part of the answer.

The company of broker 5 has many different businesses and companies under its umbrella. However, these are often operated so separately that they do not take advantage of the fact that they are truly an enterprise. Operating under the enterprise strategy, it is easier and more cost effective to acquire and implement solutions and take advantage of opportunities without compromising the growth options of any division or company within the enterprise. A key area in which the value would be quickly realized is technology. This does not simply mean accounting systems but rather business systems that run the infrastructure of the enterprise and each portion of the business with integrated information and data structures.

Properly employed, the business information that is gained will show the path to growth with all considerations able to be generated. This approach, while initially costly, if well implemented, has a significant return on investment with long term results. Key questions in the design of enterprise systems begin with the recognition of the customer base and the different ways in which they transact business with the company. In most communities, it will not take long to find that the market place brings many interactions from the same customer base. This will impact everything from marketing to servicing and certainly customer relationship management.

Broker 6 has the opportunity to bring the changes that he wants by helping the agents to become a part of the business. Under his father's leadership, the family type atmosphere prevailed with the patriarch keeping most of the business issues at his desk. This style worked well for him and the agents were happily blind to the business and became somewhat dependent without recognition to how they became and maintained their level of success.

If broker 6 simply tries to implement changes to gain control of the business and or put a price on business driven by the company without good information, he will alienate the agents and most likely be the loser. It will be a lot of work to help them become participatory in the business. His greatest challenge will be to keep the information and use of the information on their radio station and communicate in friendly language and terms rather than as if to a colleague from his MBA program.

Recruiting agents to replace his aging staff cannot wait until they retire as the business will not only diminish but it will be difficult to attract agents who do not see growth and momentum. He may for a while operate as if there are two offices in one until transition and integration can take place.

Broker 7 has built a company with good communications in place to allow her to try to stay a step ahead and keep the agents happy. Her greatest challenge is yet to come as she works on an aggressive expansion plan which will give her less direct involvement with the agents than ever before. In the expansion offices, she has been able to recruit, grow and develop good management teams, however in her original office, she is still the key figure and is in danger of making herself too heavily invested in those agents and their business to be able to put the time and energy into her expansion activities.

Unless she is able to substantially replace herself with a management team in this core office, it will be very difficult to take on the expansion challenges without the agents feeling a loss. The degree of the loss may erode the core office. Communications, strong management and delivery of value to the agents will make or break the plans this lady has laid out.

Hopefully, the solutions and challenges outlined here have not only given you a limited look into the strategies employed in building business for each of these companies but represent key issues faced by many brokers.