

# Notes from Duke's Casebook

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## A Few Explanatory Words

*The Collector's Edition*

Okay, okay, it's not a Roger Clemens rookie card, but this is the first newsletter I've ever published and I have high hopes that someday you're going to consider yourself lucky to have been on my first mailing list.

If you're reading this you know I've spent a considerable part of my last 15 years trying to make sense out of the real estate industry. It has been a good partnership, you as practitioners and I as an expert in strategic planning, bringing our distinctly different perspectives of the business to bear on the issues critical to your profession. Our discussions have taught me much about management and leadership in your field.

For years many of you have been after me to write down some of these insights and to share them so you can put them to work to manage and lead your firms more effectively. I am now prepared for that challenge.

I hope you don't receive this newsletter as another irritating piece of spam-mail. To the contrary, I am writing this to pass on some ideas that will help you succeed in an increasingly competitive marketplace.

If you don't want to get this newsletter, just send an e-mail back to me and say "no thanks. I'll assume no

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You can copy this and share it all you want, just tell folks where you found it. Thanks, Duke

## Build Employee Loyalty

*Improve employee retention, even among independent contractors, by creating the right environment.*

Every profession generates its own mythology to explain why things are the way they are. Most often we invoke these myths when we can't figure out why things don't work out the way we would like them to.

Managers and owners of commercial real estate firms are no different. Over the last few years I've run into all sorts of myths about your business and I plan to show you how to overcome them.

*Myth #1: agents and brokers are independent contractors, so you can't ask much of them.*

As one of my clients puts it, "the only real assets I have walk out the door at the end of the day; I've got to make sure they come back the next morning." There is some truth here. In some states and with most firms, the sales staff are contractors and they can and do move freely between employers and do no more than their sales work as part of the firm.

They are not necessarily as independent as you think they are and the truth is many are quite willing to cooperate with the kinds of changes you need to make in your firms.

Broker loyalty to the firm is earned and maintained by the efforts of owners who are genuinely committed to creating an environment where sales staff can prosper. Companies that gain the cooperation of their sales staff offer a lot more than high splits and monetary rewards.

Here is a list of things that agents and brokers tell me encourage loyalty and commitment to their firms:

*The potential for ownership:* this is the well-known "Golden Handcuffs" strategy. The presumption is that even fractional ownership makes it hard for a sales person to pick up and move to another firm.

I'm not sure that 2 per cent of a brokerage ownership is that powerful a magnet or that great an investment, but I am convinced that a proffer of ownership shows a respect for a key sales (or support) staff that is

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reply means you want to stay on my select e-mail list.

I don't know how often I'll publish it... this may be the one and only edition. Instead of promising a newsletter monthly or quarterly I'll stay with the schedule I've followed so far... when I have something to say I'll let you know.

If you enjoy my comments and find them useful feel free to forward this to anyone you think might profit from it's reading. If that's how you come to see this newsletter and want me to send you one, just e-mail me and I'll add you to that select list.

Each edition will cover five topics:

I'll debunk a myth I think is getting in the way of doing better business,

I'll profile someone who I think is acting like a leader in their field.

I'll pass on a tip to inspire creative thinking.

I'll share one of my "Duke's Rules" wisdom exhaustively gathered from 30 years in the classroom and 20 years as an itinerant consultant.

I'll take a close look at a quote from the current literature and discuss its relevance and meaning to your work.

Now and then I'll pass on a personal opinion about food, theater, baseball or wine, depending on how opinionated I feel.

Thanks for reading, but most of all, thanks for helping me learn about your profession.

Duke Kuehn  
November 10, 2003

## RESTAURANT REVIEW: GETTING CHILE IN HOT PHOENIX

I enjoy traveling and one of the best parts of being in new places is discovering great eats. Each newsletter I'll pass on my favorite new find. I better warn you, however, that a cheeseburger, onion rings and MGD are high on my list of gustatory delights.

This newsletter: Richardson's in Phoenix. Thanks to John Schottenstein, CEO of NAI Horizon, for revealing this wonder of *New Mexican* cuisine. My wife, Kathleen and I love good Mexican food, but the dishes here go beyond anything I've ever tasted before. Each item has a twist on it, so you'll recognize the dish's heritage as a straightforward Jaliscan enchilada but literally spiced up and with a new southwestern chile pepper or a richer New Mexican sauce than you're used to tasting. The shrimp appetizer, even in the middle of the desert, is fresh and tangy and will definitely raise your appetite for the braised chunks of pork in their, *carne adovada*, a fantasy of the *cerdo adobado* found on traditional menus. Whopper *margueritas* on the rocks are the perfect accompanying beverage.

Décor's not much, indeed it is so funky that Richardson's was selected in a local reader's poll as the "best place to eat when you're stoned," but there is a great corner banquette just to the left and behind the bar. It's part of a unimpressive strip mall, but don't be put off by the neighborhood or façade, this place is for serious *aficionado* of heat, spice and green chile.

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### **I Really Wish I'd Said This:**

Jim Collins<sup>1</sup> citing Dick Cooley's innovative leadership of Wells Fargo Bank:

*"...instead of mapping out a strategy for change, he ... focused on 'injecting an endless stream of talent' directly into the veins of the company. They hired outstanding people whenever and wherever they found them, often without any specific job in mind."*

### **Why?**

The lesson here: hire strategically. Skills are important, especially in the short term. To build a great team, however, think long term, hire someone with the skills to help you today and the talent to take your company to the next level tomorrow..

<sup>1</sup> Jim Collins, *Good to Great: Why Some Companies Make the Leap... and Others Don't*. Harper Business (New York), 2001, page 42.

## The Facilitator's Creativity Toolbox

The problem: you just can't see a new way of doing something. You are so well versed in the way you do it now, you just can't conceptualize a different way, even if you have a sneaking suspicion there's a better way to do it... the old "paradigm trap."

The solution: engage in a little science fiction. Imagine the thing you are struggling to change through some mysterious calamity disappeared from the Earth altogether. For example, you're trying to find a different way to take care of your auto's basic maintenance. Imagine that aliens captured every auto mechanic and auto repair shop. What would you do? How would you handle the problem? Would you re-invent the same system or maybe build a new system altogether? Imagine.

The best application of this I've ever seen is a tool for creative decision-making invented by Roger von Oech (creativethink.com) called the *Creative Whack Pack*. On each of the cards of a 62 card deck is a single question designed to prompt a really different way of looking at a problem. My favorite encourages you to look out the window, consider your problem and ask yourself, "how is this handled in nature?"

Why this works: we get infatuated with a method when we find it. Pretty soon we're spending more time tinkering with the technique rather than solving the problem. Sound like your IT folks? Remind you of HR? Feel like bureaucracy? It is and we're all prey to it. Asking the question in a different way will often reveal a hidden solution.

### Duke's Rule #28: All Life is Middle School

This grim realization is one of the truest rules I can pass on. Seemingly intelligent and rational people will, in conflict or under pressure, often revert back to lessons learned early in life. It turns out adolescence was a cruel but memorable teacher.

Conflicts between employees don't just look like junior high dust-ups, you are often watching adults act out their teenage frustrations over the date they didn't get, the letter they didn't earn or the embarrassment they suffered at the hands of junior high bullies.

As memories of past insecurities flood back so do the ineffective, childish methods they used to cope with them. Help them grow up: have them face the real issues and use adult methods of negotiation and mediation to resolve their differences.

received as an honor.

More importantly, perhaps, a piece of the company's action gives the opportunity to influence decisions that affect their workplace. Some broker-owners have told me that being known as a partner in the firm provides a competitive advantage with some clients.

Expanding ownership has its complications, especially when done on a large scale. Firms with a dozen partners, with a couple of major shareholders and a bunch of fractional owners can become a nightmare to manage.

**2. Profit-sharing and bonuses:** Returning some portion of the company's profits back to staff is another common way of showing regard and respect. These rewards are not as binding as Golden Handcuffs, relying more on creating an environment of goodwill than obligation, but they can be effective incentives to gain cooperation from staff.

Bonuses may take the form of cash, gifts, rewards or special perquisites such as country club memberships, auto allowances or reimbursements for professional education. As tempting as these little "gifts" might be there can be serious drawbacks to their use.

Any kind of special treatment is better given as a one-time reward for a specific accomplishment. It is bad practice to create expectations that people get rewarded for doing what they are compensated for already. Make sure any reward is the consequence of an outcome, not an entitlement. But take care that rewards are handed out fairly, otherwise you may create resentments among those who don't get them.

An innovative and effective way of gaining company-loyalty is the creation of special funds or accounts in which a portion of corporate earnings are invested alongside a contribution from the staff member. Such funds allow agents and staff to acquire property in partnership with their colleagues and the company.

**3. Support:** More than ownership and rewards sales staff want to be supported by their firm. This is what I mean by "creating an environment for employee's success." Support may be tangible in the form of tools, software, databases, advertising and training. It can also be intangible in terms of the firm's brand recognition and reputation.

The frustration of trying to maintain a supportive environment lies in the infinite variety of needs sales staff can identify. Don't build support along customized programs for every agent, work to support specific corporate initiatives that support a wide range

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of sales staff. Work to meet the needs of the greatest numbers of your sales people.

**4. Inclusion:** Brokers and agents tell me that they want to work for company's where their opinions are solicited and included in the decision-making process. A broker recently told me, "Duke, it's the same old mushroom management I knew in the Army. They keep me in the dark covered with manure. Just once I'd like them to ask me what I think about how the company might work better."

This is a common sentiment because, despite the myth, the best sales staff I work with are greatly concerned about the stability and potential for growth in their companies. They know that their earnings from sales will increase if they work for a well known, respected firm that provides the kinds of support that provide a competitive advantage in the marketplace.

Don't underestimate the value that sales staff place on working in a environment where people treat each other with respect and collegiality. If you've ever seen the damage wrought on a firm where in-fighting, cut-throat competition and gossip prevails you know how little income means in an poisonous work environment.

Creating an inclusive environment is the most effective and least expensive of the ways to hold on to staff, yet it is the least used. It really doesn't take much to start holding meetings to ask staff's opinion before making a decision. In a future edition I'll explain more about how to be an inclusive decision-maker, but for now I can assure you that listening to other peoples' ideas will make you effective and highly regarded.

In conclusion, the factor I've found that ties the most enduring bond between a firm and its employees is the respect and confidence that staff has in their leaders. Owners and principals can establish relationships where people want to work with them. In almost every community I've worked I've found that there was an owner whose ethics, humanity and fairness were major attractions that brought talented sales people to those firms and kept them there year after year.

I have yet to facilitate a strategic plan where recruiting and retaining first rate staff was not a critical success factor. Money, rewards and perks are only one way of building employee loyalty; staff, even independent contractors work harder and with greater dedication in firms where ownership maintains an environment of respect and inclusion.

## Profiles in Leadership: Marie Murphy

I'm writing this at 35,000 feet as I fly home from attending the New York State Association of REALTORS® Fall Conference where it's board of directors just *unanimously* approved a new strategic plan for 2004 – 2008. Now there are very few things that are ever unanimous in an 33,000 member association as diverse as New York's, but the able leadership of the chair of its Organizational Planning Committee, Marie T. Murphy, GRI, of Warren County, created a plan that all could endorse.

Marie's effectiveness as a leader comes from her preparation. Put simply, she takes the time to read materials in advance, think about what she is going to say before she speaks, anticipates what needs to be done and is ready when the time comes to do it.

I'm afraid our society is losing is the value we used to attach to preparation. Too often I run into people today who believe improvisation is the hallmark of talent. Marie's not one of them.

I like *Whose Line is it Anyway?* but the audience doesn't seem to understand that great improvisational comedy only comes after years of practice. You just don't roll out of bed and do funny things, or hit 20-foot jump shots or lead successfully. Preparation is the foundation for success in any endeavor.

Marie understands that doing the hard work *before* the meeting means that far more will be accomplished *after* the meeting begins. Does it take time? For sure. But it saves more time than it ever takes. Here's an example: Marie chaired and I facilitated over a dozen all-day meetings in eight months. Because we both came prepared it took no more than ten minutes before each meeting for the two of us to meet to make sure what we were going to do.

Preparation pays off and the success of her committee in writing a first-rate strategic plan is testimony to her brilliant leadership and her careful preparation. Thanks, Marie, its leaders like you who make me look like a pretty good facilitator.

### PRIZES! HONOR! FAME!

**Contest:** A bottle of one of Washington State's best wines to the person who submits the best quote for my next *I Really Wish I'd Said That* section.

### SUGGESTIONS? IDEAS? COMMENTS?

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**NEXT ISSUE: WHY WE DO SUCH A POOR JOB OF DELEGATING.**

