

White paper

Real estate leadership: issues and challenges

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The image features a silhouette of a person on the left side, looking down at a mobile device. The background is a bright blue sky with dark window frames on the right. The text is centered in the middle of the image.

The purpose of this research study is to understand more about leaders of the real estate industry...Through this research we aim to lay the foundation for a better understanding of the executive training needs of the industry, and to foster an awareness of the need to develop strategic thinking and authentic leadership towards a sustainable and responsible world of property.

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Background and context

Identifying and developing leadership talent is a top priority issue for all organisations. Identifying high potential individuals early, understanding their strengths and development needs, and actively building their capability through training and development are all necessary to ensure that businesses have the proper leadership to compete successfully.

In the Harvard Business Review, January 2010, Morten T. Hansen, Hermina Ibarra, and Urs Peyer, three professors from INSEAD, examined the long-term performance of more than 1,000 global companies in an attempt to compile a list of corporate leaders who delivered the most shareholder value over the course of their tenures. Among other things, the study compared the performance of CEOs who have MBAs and those who do not. The MBAs came out on top, by a long way: from 1,109 CEOs from companies based in Germany, Britain, France, and the United States, the 32% of CEOs who had an MBA ranked, on average, 40 places better than the CEOs without an MBA.

This is an example among many of applied leadership research with a simple conclusion. However, while something is known about the corporate sector, our understanding of leadership issues in professional service sectors, and the real estate sector in particular – even the education and qualification levels of CEOs – is very limited. In order to make a contribution towards this understanding, Henley Business School undertook research in late 2010 and 2011, sponsored by SEGRO plc and supported by EPRA (the European Public Real Estate Association).

The purpose of this research study is to understand more about leaders of the real estate industry, and in particular the training and formative experiences of leaders of the industry based in the UK and continental Europe (CE). Through this research we aim to lay the foundation for a better understanding of the executive training needs of the industry, and to foster an awareness of the need to develop strategic thinking and authentic leadership towards a sustainable and responsible world of property.

The research method

An initial survey was completed in late 2010. This preliminary research study was focussed on the UK. A second survey, undertaken in spring 2011, focussed on continental Europe (CE).

The UK and continental Europe studies each had two component parts.

First, by means of an online questionnaire survey, we set out to establish the typical profiles of leaders in the real estate industry in terms of qualifications, experience, demographic profile and training.

Second, through a series of interviews and workshops with leadership in the field of real estate investment, development, management and consultancy, we set out to identify the key experiences and qualities that enable senior executives to progress to the top of their profession and function effectively.

'All those who had attended formal graduate or executive training programmes declared that they derived great benefit'

The sample

The questionnaire was sent out to around 100 individuals believed to be acting as Chairmen, CEOs and Senior Partners in property companies and REITs', fund managers and real estate service providers. The survey responses were completed between 1st December 2010 and 27th May 2011. There were 54 questionnaire respondents, a response rate of around 55%. 24 were UK-based; 30 were based in continental Europe.

Between November 2010 and May 2011 we also held ten interviews with UK CEOs and 15 interviews with continental European CEOs during an EPRA workshop.

Results: the questionnaire research

Demographics

94.4% of the respondents were male (there were only 3 female respondents). The majority (59.6%) were between 46 and 55 years old. Other age groups included 36–45 (22.2%) and 56–65 (13%). There were two respondents aged under 35 and one respondent over 66.

50% (27 respondents) were British (slightly more than is indicated by the domicile of those companies surveyed); other well-represented nationalities included Dutch (11.1% or 7 respondents), French and Portuguese (7.4% or 4 each), German and Spanish (5.6% or 3 each), and 3.7% (2) were American.

Current position, employment history

57.4% (31) describe themselves as CEOs; 24.1% (13) are Managing Directors; and 9.3% (5) are Chairmen. Other titles used included Chief Operating Officer, Joint CEO, Chief Investment Officer and Deputy Chairman.

38.9% (21) have only been in the current position for between one and three years; 37% (20) have been appointed for between four and nine years; and 18.5% (10) have been in their current position for over 10 years. Three CEOs have been appointed for under 12 months.

27.8% (15) have been working for their current company for between six and ten years but 25.9% (14) joined less than 3 years ago. 14.8% have been with their current company for over 20 years.

72.2% (39) have worked for between three and five companies, while 14.8% have worked for 5–10 companies and the remainder have worked for fewer than three companies.

Education history

87% (47) have at least an undergraduate degree; real estate is the most popular degree, held by 34% (16), followed by Business Studies (19.1%) and Engineering (10.6%).

55.3% of first degrees were obtained in the UK, followed by Netherlands (10.5%), France (8.5%) and Spain (6.4%). This is in line with the nationalities of the respondents and suggests a national bias at undergraduate level.

The most popular universities are the University of Reading, UK (13-7%), the University of Cambridge, UK (8.5-4%), the University of Oxford, UK (6.4-3%) and ESADE, Spain (4.3-2%).

44.7% (21) have a postgraduate degree, of which 47.6% (10) have MBAs. Other master's degree subjects include finance, business studies, economics, real estate and law.

While undergraduate degrees appear to be taken at home, this is not as true for postgraduate degrees. The most popular country for postgraduate degrees is the US with 28.55% of respondents.

A higher than expected number of postgraduate degrees were obtained in France (23.8%, or 5), others being obtained in the UK (19%), Spain (14.3%), Netherlands (9.5%) and Portugal (4.8%).

71.4% of respondents undertook postgraduate education within five years of their undergraduate degree, 19% between 5 and 10 years later, and the remaining 9.5% over 10 years after completion of undergraduate study.

Professional qualifications

79.6% (43) of respondents are members of a professional organisation. Of those, 55.8% (slightly more than the total UK sample) are members of the RICS²; while 16.2% are members of the Urban Land Institute, and a similar proportion sees EPRA as their main professional organisation.

Management development education

51.9% (28) have benefited from non-degree level management development (executive) education. Of those, 44.4% identified leadership as the focus, followed by managing teams (27.8%) and accountancy/finance (25.9%).

55.6% devoted under four weeks for any management education, whereas 16.7% dedicated 20 weeks or more to management development training. The most popular institution cited is Ashridge Business School (17.8%), followed equally by INSEAD, Henley Business School and Harvard Business School (14.2% each), then Cranfield and IMD (7.1% each).

83.3% (45) have not studied towards a technical diploma. Those who did (9 respondents) mainly selected the RICS direct examination.

‘There was ... exposure to different ways of thinking about and doing things’

Results: interviews

In the interviews, we used a semi-structured interview format built around eight questions in one-to-one and small group discussions.

What turning points in your career prepared you for leadership?

Many, if not most, of the participants had held early positions of responsibility throughout their formative years. Likewise, at tertiary level, a good number had taken on extra-curricular leadership roles. Few cited their undergraduate educational experiences as being especially transformative, whilst all those who had attended formal graduate or executive training programmes declared that they derived great benefit. Indeed, one described a short course at INSEAD as 'life-changing'; another the MBA at Cranfield as being 'transformative'; and one more that having a personal coach as being a 'significant turning point'.

The first job, the first boss and the first big project (including an influential client) all figured as notable turning points. Other key experiences were working as personal assistant to the senior partner; starting-up a new department; establishing an international office; and meeting and working with someone 'special'.

International experience of various kinds came to the fore as a common point of self-realisation and aspiration. Whether it was the broader cultural milieu of Europe, the excitement of emerging markets in the Middle or Far East or the cutting-edge of American business practice, working overseas was seen by most participants as a mind-changing episode in their professional lives and a stepping-stone to later leadership.

In the continental European sample, there was more evidence of a formal approach to developing leadership, and several examples of 'leadership being thrust upon me'.

Do/did you have a mentor or role model?

Mentors and role models were often found in the first place of work, sometimes among parents and other family members, and once in the form of a client, but (in the UK sample) never formally appointed or sought. A typical comment was 'no mentor, but several role models'. Among the CE sample were two examples of formal mentor/life coach roles, and one comment that previous leaders 'were models for what NOT to do'.

What do you think you would have benefitted from but did not get in your education, training or career development?

Many interviewees cited international experience, formal management education, and 'an exposure to other ways of doing things and a broader perspective'. In the UK sample there was common regret about a lack of management education, while in the CE sample were regrets about a lack of real estate skills at the beginning of the career and a more commonly expressed absence of gap years, MBA opportunities or time off to study.

What previous experience have you gained, and what in particular did you gain from it?

Of the UK respondents, a small majority had international experience; all had worked in different property sectors; but only two had worked in other industries (banking).

'In the UK sample there was common regret about a lack of management education'

Within the CE sample, a clear majority had international experience and more had worked in different industries (including construction, engineering and banking) with less experience of different property sectors.

What skills do you think future leaders of real estate will require?

People skills, leadership skills, breadth and strategic vision, how to process large quantities of relevant information, real estate basics and financial skills were all cited, plus ‘an open mind and the guts to be different.’

Particular comments included: ‘the capacity to mobilise or motivate teams and being quicker to move’; ‘independence of mindset; following your own route; be energetic and do not be afraid of change; be able to adapt to other cultures/systems’; ‘to define a strategy and to stick to this on a long term basis’; ‘strategic vision, team player, dealing with adversity, ambiguity, uncertainty, energy, confidence and conviction’ and ‘motivational communication, out of the box thinking, team playing and modesty.’

What are the strongest forces / influences driving change in the real estate markets?

The forces cited most were globalisation, demographics and urban concentration, finance, regulation and risk management, and technology. Interesting comments included: ‘short term investors, long term asset’. Sustainability was mentioned by a minority.

What is missing, in your opinion, from the general leadership skill-sets displayed in the current real estate industry?

Thinking strategically; people skills; marketing and communication skills, innovation; debt experience; better understanding of the income statement as well as the balance sheet; lack of international perspective; sustainability; and, especially in the UK sample, creativity (‘too much old boy network – the RICS is outdated, with a big and unbridgeable split between general practice and investment’ and ‘CEOs can be too slow and resistant to change’.

‘The ability to manage assets in a much more business-like manner and to have a proper working knowledge of the tenants’ businesses.’

‘The ability to have a clear mission, communicate it to all the stakeholders and then to delegate to ensure that the mission is completed in line with expectations.’

Are there other relevant issues you wish to raise?

Examples: ‘Listening is more important than talking’; ‘be honest – we don’t know it all’; ‘be non-territorial’; ‘think of yourself last’; ‘real estate in the UK has been ‘spoilt’ by long leases, and shorter leases now demand a much more dynamic approach to management’.

Who do you most admire as a leader?

Popular real estate leader models included Guillaume Poitrinal of Unibail Rodamco (5); Leon Bressler (2); Patrick Vaughan (2); Sam Zell (2). Respected leaders outside the real estate industry included Nelson Mandela (4); Warren Buffet (2); Steve Jobs (2); and Barack Obama (2).

‘The forces cited most were globalisation, demographics and urban concentration, finance, regulation and risk management, and technology’

‘Another common *cri de coeur* was the need to develop greater leadership capacity throughout the industry in the art and science of strategic thinking, planning and decision-making’

General comments and conclusions

Three prevailing themes recurred throughout the interviews. First, a broader and strategic perspective was demanded of real estate leaders. Second, international experience was of inestimable worth in developing leadership potential. And third, property is a people business requiring greater emphasis on the softer skills of leadership and management.

Management, business and finance; people skills

The point was forcefully, and repeatedly, made that interpersonal skills, such as communicating, listening and persuading, were sadly neglected in real estate education. Even marketing and negotiating, which lay at the heart of so much property business, were scantily treated. There was also little exposure to different ways of thinking about and doing things.

Strategic perspective

Another common *cri de coeur* was the need to develop greater leadership capacity throughout the industry in the art and science of strategic thinking, planning and decision-making. Being able to understand and deal with increasing turbulence, and tackle the complexity, risk and uncertainty that come with it, was seen as an immediate and growing imperative for real estate leaders, both current and aspiring. ‘We are poorly prepared for change’ was one individual indictment.

Future attitudes and aptitudes

There was widespread recognition that the building momentum of globalisation, sustainability and responsibility would demand of real estate leaders a greater understanding of the driving forces of change – social, technological, environmental, economic and political – and a facility to forge resilient strategies for their organisations in the face of growing complexity, heightened uncertainty and variable risk.

Values, standards and ethics

Generally, there was an appreciation that society expected higher levels and standards of performance, accountability and transparency of business – together with more effective monitoring regulation and enforcement. The emerging cadre of leaders would have to be familiar with, and comfortable about, directing and managing real estate organisations in this setting of stricter governance. More specifically, some participants observed that there was a need on the part of the real estate industry to respond more actively to the expanding role of corporate social responsibility and to take more pride in the public realm.

Cross-border competence

One UK CEO interviewed: ‘Cross-border skills (in the UK) are appalling!’ There was common agreement that property professionals should be better versed in the legal, economic and cultural conditions prevailing in the markets and societies where they practice and conduct business.

**‘What is missing?...
thinking strategically;
people skills; marketing
and communication skills,
innovation’**

Mastering business basics

A frequently expressed view was that leaders in the UK real estate industry used to get where they are, and largely still do, by being good surveyors, not by being good at business, or by being good managers. This, it was commonly held, is changing, and is much less of an issue in CE.

Property as a product

By contrast, it was felt by a number of participants (especially in CE) that there was a need to return to a position where property was understood, whether it be for investment, development, management, marketing or valuation purposes, more for its inherent functional and physical qualities than simply as just another financial asset class. This required a special kind of informed and experienced leadership.

Leading and managing people

Several leading CEOs emphasised that, above all else, real estate was a ‘people business’, and this sentiment was echoed to varying degrees by virtually all those interviewed. Indeed, a couple of eminent CEOs notably stated, quite unequivocally, that their role as leaders was about people, not about making or losing money. They, and others, also held strongly that the principles they personally espoused should be seen to be practiced unwaveringly and set standards for the organisation as a whole. Almost everyone contributing highlighted the need for future leaders to comprehend ‘the big picture’, developing a broader perspective on the world of property and the influences brought to bear upon it.

The importance of looking after what were popularly described as ‘the rainmakers’ was stressed repeatedly. It was widely recognised that in many, if not most, property organisations a handful of star performers created disproportionate amounts of value. Competitiveness depended upon recruiting and retaining such smart people. Special leadership strategies to give them space, connectivity, scope, support and respect were required. Furthermore, as one CEO stated: ‘The deal makers want a say’. In the same context, there was an appreciation that more attention should be paid to identifying and nourishing potential talent throughout the organisation in all aspects of its work.

The changing nature of work

Surprisingly few of those interviewed offered opinions regarding how changes in space, human resources, technology, the workplace and the nature of work itself might affect leadership styles and strategies. Those who did comment, however, envisaged major shifts in terms of location, creativity, communication, collaboration, knowledge and information. It was felt that leadership, at all levels, would be affected in many ways as yet unexplored, but in particular by communication technology.

It is an easy conclusion to draw that more aspiring real estate leaders should go to business school.

What next?

The three prevailing themes bear repetition:

International experience

International experience is of inestimable worth in developing leadership potential. The profiles of current CEOs stress international experience, and it is clear that this is a key-indicator of later success.

A broader and strategic perspective

Leaders crave the opportunity to develop a *broader and strategic perspective*, yet fewer than 20% have MBAs, compared to over 30% in the corporate sector studied by Hansen, Ibarra and Peyer.

Property is a people business

Finally, property is a *people business* requiring greater emphasis on the softer skills of leadership and management, which is missing from the most popular education programmes used by real estate CEOs.

Henley Business School

Using this research as a foundation, Henley Business School is now dedicated towards the development of leadership programmes for the real estate industry and major initiatives are now being developed.

Firstly, open and customised strategic leadership programmes with the following general objectives:

- To develop a strong cadre of future leaders capable of dealing with business critical issues.
- To build organisational agility to respond to new business challenges.
- To build enhanced managerial and leadership capability to provide sustainable competitive advantage.
- To create a common sense of purpose, urgency and drive for success.
- To provide a common ground and a shared understanding of management knowledge, business acumen and best practice.

The initial courses were delivered in December 2010 and June/July 2011; others are scheduled for December 2011 and 2012. Customised programmes designed particularly for real estate firms are also now running.

The development of pathways for prospective real estate leaders in the internationally renowned Henley MBA is also planned.

References

Morten T. Hansen, Hermina Ibarra, and Urs Peyer (2010) 'The Best-Performing CEOs in the World', *Harvard Business Review*, January/February 2010

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Real estate leadership

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