



White Paper

# The Pursuit Of “Good” Growth

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## THE PURSUIT OF “GOOD” GROWTH

Growth has occupied the minds and strategic focus of leadership teams within the real estate industry for decades. The entrepreneurial spirit, a prevailing psyche to achieve the unexpected and a belief that bigger was always better, have formed the mindset which has guided business and investment decisions within real estate firms nationwide. Growth had many advantages. Growing companies can attract better talent, capital and achieve a competitive advantage. Growth has positive effects on morale and organizational behavior. However, in today's economic reality, growth for growth's sake can be disastrous. More isn't always better. Growth should not be an objective...it should be an outcome. In 2013 and beyond, real estate firms must find ways to pursue healthy or “good” growth...the type of growth that can assure current and long-term profitability, brand enhancement and relevance within a highly competitive marketplace.

Over the past 30 years, the real estate industry has seen the rise and fall of companies whose focus was solely on “More is better,” and who gave limited value or focus to creating lasting enterprise value. Unprofitable growth was “OK” if it added to the company's size. Taking on service or brokerage assignments at fees/rates far below what truly was needed to provide superior service was done to “feed the operating platform.” Overpaying to acquire a development site or an asset (while it may feel good at closing) often led to performance frustrations soon after the euphoria of the transaction had worn off. Fundamentals sometimes were forgotten in the pursuit of yield. Growth became a necessity, not a strategy, for many firms. Today, however, the difference between good and bad growth has become apparent.

So what is good growth and how does one achieve it? Today there are many areas and examples of healthy growth opportunity. It arises from the alignment of three factors: (1) the presence of an opportunity; (2) the ability to recognize that opportunity; and (3) the ability to secure and execute upon the opportunity. It is important to remember that without a laser-like focus on these three factors, management cannot create healthy growth. Let's examine these three factors.

### Creating An Opportunity

The core to business development consists of four basic strategies: (1) sell the same services to existing clients; (2) sell new services to existing clients; (3) sell the same services to new clients; and (4) sell new services to new clients. Obviously, it is easier to sell the same services and new services to existing clients. However, this opportunity exists only if one has excellent relationships (at multiple levels) with existing clients and if the level and quality of services to be rendered are truly best in class. How do your clients perceive and value their relationship with you? Do you provide superior levels of service that inspire your clients to recommend your firm? Have you created a product or process that is considered innovative and creates value? How is your brand perceived? What do prospective clients think when your firm's name is mentioned? Have some of your competitors overlooked or neglected areas of opportunity?

Selling the same services to new clients requires a business development plan, a prospective client management strategy and the requisite marketing materials and resources. However, prospective clients require an introduction, rather than a cold call. “Dialing for dollars” tends to yield little for the effort involved. Networking, using LinkedIn, professional organization involvement and knowledge-based marketing efforts are essential. Newsletters that offer a future perspective, small trends briefings events (15 – 20 people), indexing and a real-time website are just some of the tools that can be used to successfully reach new clients.

Selling new services to new clients is the most difficult. To accomplish this, you must have talent with the experience and expertise to “qualify” your firm for the opportunity. Trying to introduce a “new” service/capability with little or no differentiating story or distinguishing talent to prospective clients who don't know you is clearly a waste of valuable time. Some Property Management firms that manage a specific asset class or size try to pursue opportunities within a different asset class or size. This is not prudent business development. Assuming that property management in a B building is the same as an A



building or a 50,000-square-foot building is the same as a 500,000-square-foot building is foolhardy. Brokers who try to lease space, or those selling an asset, for the “first time” are imprudent. Responding to an RFP “because we received it” is often a waste of valuable time and resources.

## **Recognizing The Opportunity**

Does your firm have a filter or process to evaluate the merits and rank the probability of success of each new opportunity? How do you process opportunities? At what stage does senior management become involved? How much autonomy/authority do you delegate to lower-level personnel for “pitch” work? Recognizing the opportunities requires that your antennae are up, and too often real estate leaders hear only what they want to hear. Listening and understanding the client’s language is very important, but recognizing an opportunity is as important as recognizing when an opportunity isn’t an opportunity after all.

Some key questions to ask before pursuing a perceived opportunity are:

1. Do we have the expertise and experience?
2. Do we have a relationship with the prospective client?
3. Do we have a competitive advantage?
4. Does this assignment parallel other similar assignments?
5. Will securing this opportunity create additional new business opportunities?
6. Do we have the resources and team to go after this opportunity?
7. Can we make a profit by executing it within our standards of excellence?

You do not want to become a commodity service provider who declares, “We do all things for all clients at any price.”

## **Executing On The Opportunity**

Once you have successfully secured this new business opportunity, what comes next? Obviously, fulfilling the assignment’s requirements successfully and exceeding the client expectations are essential. Words such as “quality,” “service,” and “timeliness” should comprise the foundation from which all services are rendered. Perhaps the best way to change the mindset within your organization is to call it a “new relationship” and not a “new contract” or “new assignment.” Removing the word “contract” from your vocabulary and replacing it with the word “relationship” signifies the importance and value given to the opportunity. This is healthy growth. Utilizing client feedback surveys, assignment debriefings and wrap-up sessions are all valuable tools to deploy. Make it easy for your customer to do business with you.

Developing a plan to leverage that client and/or assignment for other opportunities is essential. Why would you take on a new assignment if you did not intend to secure additional similar assignments? What lessons were learned that can be enhanced and/or corrected? Remember, executing on the new assignment is only the beginning of what you hope will be a valued lasting relationship.

## **Conclusion**

The pursuit of growth must be focused and proactive. Reactive and unfocused business development efforts tend to fail. In today’s highly competitive and challenging times, good growth is the best strategy. In an endless stream of opportunities, the challenge is to determine one’s strategic advantage and competitive edge to secure more market share. Always stay diligent. Keep track of your competitors, stay current on new technologies, follow emerging market trends, know your strengths and weaknesses, and become an expert on recognizing opportunities. Always think one customer ahead. Concentrate on current as well as future offerings. In these unconventional times, real estate firms are best served by developing and implementing unconventional strategies. Avoid mediocrity. To be a winner today, you must identify opportunities early and pursue those opportunities ahead of your competitors.

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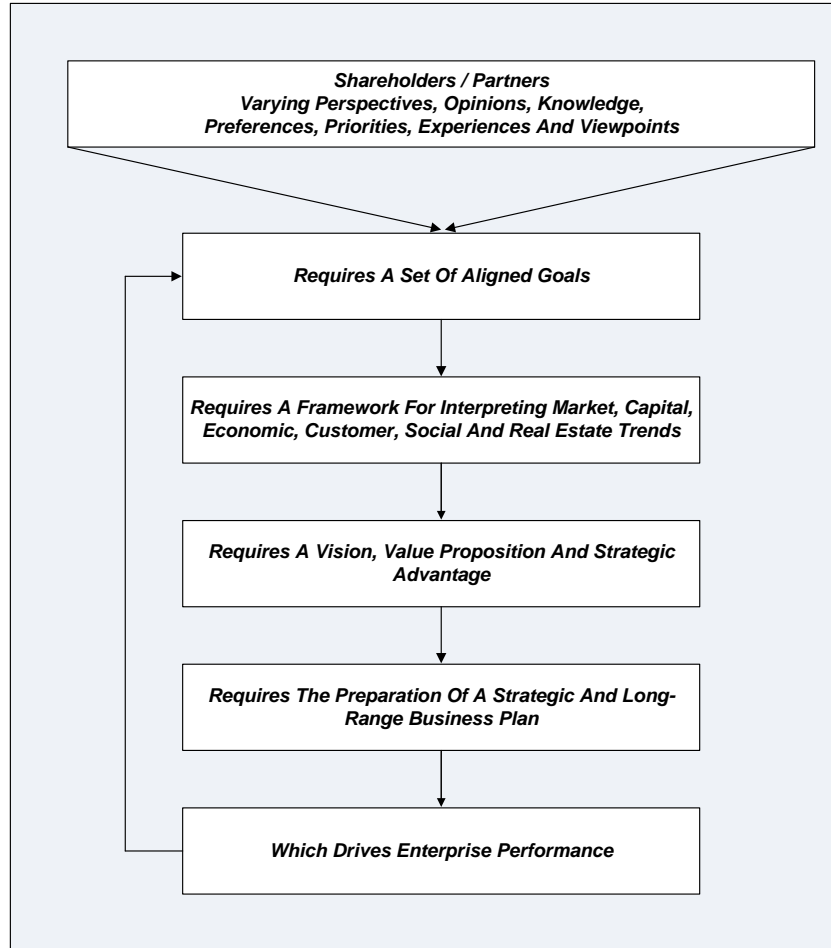


**REAL ESTATE INVESTMENT MATRIX  
2012 – 2016**

Returns ↑ High  ↓ Low	<ul style="list-style-type: none"> <li>• High Street Retail</li> <li>• BTS Office</li> <li>• Necessity Retail</li> <li>• Self-Storage</li> <li>• Multifamily - Urban</li> <li>• Industrial</li> <li>• Investment Sales</li> <li>• Performing Loans</li> <li>• "B" Value Add Acq.</li> </ul>	<ul style="list-style-type: none"> <li>• Spec Development</li> <li>• Distressed Debt</li> <li>• Lodging</li> <li>• Entertainment</li> <li>• Recreation</li> <li>• "A" Value Add Acq.</li> <li>• Lifestyle Retail</li> <li>• Land Development</li> <li>• Mixed Use – Urban</li> <li>• Timber Land</li> </ul>
	<ul style="list-style-type: none"> <li>• Property Management</li> <li>• Core Acq.</li> <li>• Affordable Housing</li> <li>• Warehouse</li> <li>• Office - Core</li> <li>• Medical Office</li> <li>• Mortgage Brokerage</li> <li>• BTS Warehouse</li> <li>• Multifamily - Suburban</li> </ul>	<ul style="list-style-type: none"> <li>• New Single Family Dev.</li> <li>• 2<sup>nd</sup> Homes</li> <li>• Construction Management</li> <li>• Regional Malls</li> <li>• General Brokerage</li> <li>• Auctions</li> <li>• Senior Housing</li> <li>• Student Housing</li> <li>• Office – Suburban / Non-Core</li> </ul>
	Low      →      Risk      →      High	

Source: CEL & Associates, Inc.

## ASSURING FUTURE RELEVANCE & SUCCESS



Source: CEL & Associates, Inc.

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