

Workforce

MANAGEMENT

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LAND AND LEADERSHIP

Talent shortages have grabbed the commercial real estate sector by the throat. Companies see only one way out: growing their own talent.

By Garry Kranz

With a portfolio containing 19 million square feet of commercial property, Federal Realty Investment Trust knows the importance of laying solid foundations. The Rockville, Maryland-based company develops and manages retail shopping centers in select U.S. markets, including the Northeast and mid-Atlantic regions, Texas and California. Top managers in the organization are given solid foundations too—in the area of professional growth and development.

Federal Realty is a real estate investment trust, or REIT. These companies have large holdings of commercial real estate and usually are traded on public stock exchanges. (Federal Realty's New York Stock Exchange ticker symbol is FRT.) Among its 90 shopping centers is Pentagon Row in Arlington, Virginia; Bethesda Row in Maryland; Assembly Square in Somerville, Massachusetts; and, in California, such properties as the Third Street Promenade in Santa Monica and the Fifth Avenue shopping area in San Diego.

Federal Realty, like many real estate trusts, is keen to develop the competencies it needs from within. One reason is the complex nature of its industry, which requires employees to possess a range of skills and knowl-

edge in various industries, including commercial real estate, private equity markets, government regulations, insurance and economic development.

A second and more pressing reason is an acute shortage of capable people.

Earlier this year, Federal Realty launched Foundations of Leadership, a yearlong program intended to help elite performers enhance their skills and put themselves in line for promotions. Eight managers were selected to participate in the inaugural class after being nominated by vice presidents who recognized their leadership potential.

"Vice presidents inherently know which employees are high performers with bright futures. By having them nominate people, we get the cream of the crop," says Philip Altschuler, Federal Realty's vice president of human resources.

The Foundations of Leadership program is broken into three modules, each one stretching over four months. During the first segment, participants polish their leadership skills, including communicating with people and learning how to motivate them. Subsequent training sessions are intended to complement the "soft skills" training by deepening managers' competencies in finance and real estate.

The leadership portion focuses on

presentation skills, how to negotiate leasing prices, and performance management.

"People aren't going to leave this program [ready to be] CPA candidates or HR professionals. But we believe they will come away with a better understanding of how the different functions in our company are interconnected," Altschuler says.

Managers are excited about the learning opportunities. Baris Ipeker, director-legal counsel for Federal Realty, says he has already adopted some of the lessons he learned in his day-to-day work.

"I am amazed that our company thinks so much of growing its employees that it has dedicated resources to support and ensure professional development from within," Ipeker says.

The training initiative was developed to plug a hole in Federal Realty's leadership pipeline. Although its managers possessed excellent technical skills, many were deficient in the skills needed to coach and motivate other employees to higher levels of performance.

Consequently, top brass grew frustrated when trying to fill senior-level positions from its middle-management ranks. "We just didn't have people ready to step into those roles," Altschuler says.

Talent shortages are endemic to the industry, experts say. In fact, REITs present a classic example of the “buy versus grow” conundrum of acquiring talent. Consolidation and shrinking capital markets have intensified the battle for top-flight candidates, with companies trying to find talent in an increasingly shallow labor pool, says Anatole Pevnev, an analyst and editor of REITCafe.com, a research firm in Cleveland.

“More and more REITs are discovering that they have to train their own people. They’re coming up with methods to internally mentor those who can lead them forward,” Pevnev says.

The problem of finding leaders isn’t confined to U.S.-based REITs. Canadian Hotel Income Properties Real Estate Investment Trust, or CHIP REIT, runs a “GM School” each year that provides targeted skills training to the general managers who run its 32 luxury hotels.

In addition, the Vancouver, British Columbia-based organization conducts a leadership boot camp to prepare potential GMs who have been nominated by regional vice presidents.

“Training needs to begin with our leaders,” because they set the tone for other employees at their hotels, says Sharon Mackay, CHIP REIT’s senior vice president of culture.

Learn by doing

Managers at Federal Realty attend four-hour classes every other week. Company trainers deliver the content alongside consultants including business professors from the Robert H.

Smith School of Business at the University of Maryland.

Another important aspect is the makeup of the team, which consists of professionals with different backgrounds and expertise. That enables people from different disciplines to share their experiences, thus becoming “students as well as teachers” for one another, Altschuler says.

Between class sessions, managers from different professional areas team up to complete the project assignments, which are intended to reinforce classroom instruction. Altschuler likens the regimen to a “customized MBA for federal employees,” albeit with a more promising return on investment.

“I know we’re getting a good ROI because I know what we’re teaching. We’re assigning [teams of] managers to real projects, so they’re getting work done at the same time they learn,” Altschuler says.

The work is challenging. As part of a session on negotiation, managers were required to read two books and complete various business projects—and that was before classes began.

After completing the leadership track this fall, participants will spend the balance of this year honing their financial literacy skills. The program concludes with real estate training in spring 2008.

Getting feedback

Mackay says pervasive talent shortages have prompted her company to accelerate the promotion of high-caliber employees, perhaps before they

were completely prepared for the advanced responsibilities. To boost their chances of success, CHIP REIT is providing them with extra coaching and leadership training.

The company created an in-house 360 survey tool, called LEAD, for managers to evaluate their progress. The acronym stands for Liveliness, Engagement, Anticipation of customer needs, and Delivery.

The survey “asks managers to evaluate their own competencies on 49 behaviors to see how well they’re doing,” Mackay says.

Those self-assessments serve as a basis for benchmarking. It helps HR develop just-in-time training curricula to address shortcomings, she says.

At Federal Realty, those enrolled in the Foundations of Leadership program could advance to an even more exclusive leadership initiative. Also known as LEAD, here standing for Leadership Education and Development, the four-year-old initiative is designed to prepare promising managers for senior-level executive positions. Only two managers are currently enrolled in LEAD.

In addition, the company is developing a mentoring program to pair newly hired employees with seasoned company veterans. The object is to help newcomers assimilate more quickly into Federal Realty’s business culture, Altschuler says.

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