

Why Is It So Hard to Find Top Talent?

And What Can My Company Do to Attract It?

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Wouldn't common sense indicate that top quality candidates are readily available when your company needs strong, competent and knowledgeable new talent? After all the economy is sluggish, stock prices are down, mergers and acquisitions among real estate companies are abundant and unemployment has risen from 4% in January 2000 to 6% in December, 2002? Where are these candidates? Why is it so difficult to find this talent that should be available RIGHT NOW when your company's needs are at their greatest?

The answers lie in socio-economic trends that have roots established from the baby boomer professionals approaching retirement to the sluggish economy and its impact on the real estate market. As an executive recruiter who has spent the past 9 years in the multi-family real estate industry, I have experienced the same challenges in identifying the highest quality candidates for multi-family real estate positions. Rest assured, the difficulty in finding top talent is shared across all business sectors. The demographic changes in the work force and the "aging of America" have national impact. However, the real estate industry has some unique employment issues.

The talent pool of real estate professionals lags behind demand. This is in large part due to tax reform, restructuring of the real estate industry and the recession of 1985 - 1991. Graduates with business degrees had little interest in pursuing a career in real estate in the early 1990's. Fast forward to 2003 and notice that the work force is "more mature". Aging Boomers are concerned with net worth and future retirement - driving many to stay with their current companies. This segment of the work force also influences compensation structures as companies position themselves to retain this stable, proven talent base. Concern over who will take the Boomers' place in business has prompted many companies to create strategies for succession planning and is causing some to provide extraordinary incentives to their carefully-cultivated stars.

What do some companies do to retain industry "stars" (thus making it difficult to recruit candidates from your competitors)? As mentioned in a recent multi-family educational program, some of the "above the norm" companies offer benefits beyond salary such as superior office environments, educational re-imbusement, home buying programs, "Cadillac" benefit packages, corporate retreats, entrepreneurial bonus programs, honoring work/life balance. Other incentives are directly related to compensation packages. Shortage of talent has spurred many companies to provide retention-based bonuses paid solely to keep top talent. However, most companies also create bonuses based on company performance. The following are creative measures that I have seen real estate companies adopt to incentivize mid to upper level management:

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- Expanding the number of executives eligible to participate in long-term incentive programs
- Creating "a tie that binds" by offering future participation in real estate profits generated when properties are sold or re-financed
- Awarding percentages of management fees (a change from flat sums that have been typically awarded in the past) when an employee generates third-party management business
- Awarding discretionary bonuses recognizing efforts toward re-positioning properties for sale and maintaining staff and income flow during the transition
- Providing key executives the opportunity to own equity in a division of the parent company
- Providing loans to participate as a partner in real estate or ancillary businesses
- Assigning a portion of corporate profits and losses to an LLC in which qualified executives can participate to create tax-advantaged compensation
- Creating programs for additional bonuses based on recruiting new employees, mentoring new employees, reduction of employee turnover and identifying acquisition opportunities

Creative bonus programs like these result in retaining star talent.

Since many companies do not embrace these "above the norm" employee retention and incentive programs, there is

hope for companies trying to attract and recruit new talent. Engaging the expertise of an executive recruiter can vastly improve your chances of bringing forth the most qualified candidates in your marketplace. The leading Search firms have industry knowledge to share with you that can make the hiring process much smoother. When a candidate has been identified as a potential new hire, a company should move quickly through the interview process and extension of an offer. Keep in mind that "time kills all deals". Most candidates expect to be offered an 8% - 15% increase in their CURRENT base salary. However, it is critical to determine if the candidate is being paid at or above the market and if their review date is eminent. In either case, expect to offer much higher increases. Forget about the "great opportunity" your company is offering - a "low ball" compensation offer will usually kill any possibility to bring an exceptional candidate on board. Extending an offer to a candidate is not the time to test his negotiation skills - make a reasonable offer that will result in a "yes" and will undermine his current company's ability to formulate a counter-offer. Recruited candidates are more vulnerable to a counter-offer since they are often the top performers and their current companies will try to entice them to stay. Once a candidate has accepted your offer, stay in touch with him until he starts with your firm. Some companies have created extraordinary measures to ensure that a highly qualified candidate came on board with them. Here are some examples:

- Move quickly to include a newly hired candidate in company retreats, budget planning sessions or educational programs - sometimes before the official start date.
- Be flexible in accepting a candidate's notice. One company accepted a candidate's 30-day notice to his current employer, given so that he could complete the budgets for his fee-managed portfolio. The hiring authority realized that the owners for whom his new-hire managed and created budgets might choose to move their management (and their budgets) with him.
- Offer to bring re-locating candidates' family to the corporate headquarters - arranging outings with senior executives, tours with real estate agents (who have been given advance notice of the candidate's preferences for schools, churches, recreation interests). A northeast-based company provided a cross-country visit to a re-locating single candidate's parents.
- Create a bonding opportunity by introducing your candidate's spouse to the spouses of other senior executives.
- Provide COBRA payments until new insurance benefits kick in.
- Provide PTO (Paid Time Off) and other benefits equal to that earned by a long-tenured new hire.
- Consider hiring key employees managed by your candidate. One company had such confidence in its candidate's ability to bring new business that they realized additional employees would be needed.
- Consider providing a home loan to re-locating top talent. One company provided such a loan to its re-locating candidate. The loan re-payment agreement was to be forgiven if the candidate stayed for three years.

The ability to hire top quality candidates will continue to be a challenge. Companies should update business practices to retain top talent by creating incentives that matter to their "stars". Remember, attracting the top performers in the industry will require:

- Moving quickly through the interview process
- Making an offer that the candidate will be excited to accept
- Staying in touch with him through the notice period
- Adopting some "above and beyond the call of duty" perks that will ensure success in bringing top talent to your company.

It's important to realize that top real estate talent commands creative incentive programs and higher salaries; mediocre employees are traded back and forth.