Leadership Training & Development: A Best Practices Model of Residential Real Estate Brokers

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Abstract

Organizations of all sizes and industries rely on effective leadership to enhance the organization's performance. In residential real estate, leadership effectiveness may be even more crucial. Seventy-five percent of new real estate licensees eventually leave the profession, fifty percent of new brokerages fail, and over half of real estate companies are not profitable. This article investigates leadership training and development at leading residential real estate offices. Results show that effective real estate brokerages build a leadership culture between managers and agents and offer a consistent variety of easily accessible leadership development courses. The conclusion of this article uses this data to develop a model of best practices for integrating leadership development in residential real estate brokerages to foster an organization-wide leadership culture.

Keywords: Leadership, training, development, residential, real estate

I. Introduction

Organizations "rise and fall on leadership" (Maxwell, nd). This declaration coined by renowned leadership expert, John Maxwell has been tested both in the marketplace and by research. Empirical research reveals that effective executive leadership accounts for as much as 45 percent of an organization's performance (Day and Lord, 2015). Not surprisingly, therefore, numerous business entities invest heavily in developing their leaders to improve company performance.

In residential real estate, leadership development may be even more crucial. Seventy-five percent of new real estate licensees eventually leave the profession, fifty percent of new brokerages fail, and fifty-seven percent of real estate companies are not profitable (Perotti, 2007). Conversely, at productive real estate companies, effective leadership principles overwhelmingly are attributed to the overall success of the business (Keller, 2004). Companies with leadership development programs are seven times more likely to outperform their competitors with weak leadership programs (Meinert, 2014). In other words, effective leadership it is not only a predictor of the success or failure of a real estate brokerage, it largely accounts for its bottom line and helps retain agents over the long term. Successful real estate companies, therefore, require forward-thinking visionaries with astute leadership skills (Kouzes and Posner, 2007).

The purpose of this research is to investigate current leadership training and development practices of residential real estate brokerages. This qualitative research design examines current real estate leadership development practices at leading residential companies and compares these initiatives to established leadership theory principles and develops a model of best practices for residential real estate leadership training programs. The overall goals and significance of this proposal are to identify and create a value-added leadership strategy that real estate brokerages can implement as part of their organizational strategy to increase agent retention, company production, and overall profitability.

II. Leadership Development Best Practices

There is a growing consensus that companies should develop leadership from within (Maxwell, 2007). Of the Fortune 500 companies surveyed, sixty percent listed leadership development as a top priority (Day & Halpin, 2001). More than seventy-five percent of responding companies sponsor leadership development programs in their organization (Day & Halpin, 2001).

In 2013, companies spent an estimated $15.5 billion in leadership development programs in the United States (Meinhert, 2013). On average, companies devote nearly $500,000 per year on leadership development (Chakrabarti, 2009). This amount varies by size of the company, ranging from $170,000 for small businesses to over $1 million for large companies (Chakrabarti, 2009). Individually, companies spent just over $2,000 for each person participating in leadership development (Chakrabarti, 2009). Leadership development for leaders in management positions is far more expensive than for lower level leaders (Chakrabarti, 2009).

Despite the widespread use of leadership development programs, no two programs are alike. The identical leadership program can be offered in a variety of formats. In other words, less emphasis should be placed on the type of the leadership program a company offers and instead attempt to discover what works within one's organization and then do it consistently (Day & Halpin, 2001).

There are, however, fundamental premises all companies should consider when building a leadership development program. Most leadership development systems offer a formal program, which consists of a face-to-face seminar dissecting core leadership principles and theories (Day & Halpin, 2001). In the past, the classroom setting was the most common mode of delivery (ASTD, 1995). With the advent of technology, however, online delivery is also quickly becoming commonplace. Streaming content or recorded webinars due to the ease, convenience, cost, and ability to re-watch the program continue to grow in popularity. Some argue that face-to-face is the more efficient delivery method (Bannon, 2014).

Formal leadership programs often last several days and typically are delivered in an off-site location. The modern trend in leadership training is toward expensive, custom programs offered by private organizations that focus on the organization's unique leadership challenges (Day & Halpin, 2001). Private training companies often offer programs based on the company's particular leadership needs and tout these sessions as long-term business investments (Torres, 2016).

Conversely, some company's develop custom programs and deliver them in-house (Higher Ed Impact, 2011). Internal programs tend to be more effective if they are taught by company colleagues who are well-liked for their leadership abilities rather than by leadership training gurus (Higher Ed Impact, 2011). In other words, organizations are better off if someone within the company who has a reputation of being a good leader delivers the program, as compared to an external leadership trainer (Higher Ed Impact, 2011). A possible downside to using in-house instructors, however, is that this may lead to "corporate inbreeding" (Conger & Benjamin, 1999).

The content of leadership development programs varies widely. The most desirable feature is gearing training around future leadership competencies, rather than merely compiling a list of current leadership knowledge, skills, and abilities (Prager, 2016). Regardless of the curriculum, the training should primarily focus on helping the company drive the development of desired leadership behaviors, which likely will differ organization-to-organization and company-to-company (Prager, 2016). For example, one company may seek leadership competency on strategic planning, whereas another may want to focus more on creating a culture of teamwork.

A popular form of leadership development is executive coaching or "a practical, goal-focused form of personal, one-on-one learning" (Hall, Otazo, & Hollenbeck, 1999, p. 40). Executive coaching typically is used to enhance individual leadership performance and is relatively short term training (Wasylyshyn, 2003). The goal of executive coaching is to help the trainee put into practice specific leadership competencies (Wasylyshyn, 2003). Merely knowing the value of leadership, or wanting to change one's leadership style or approach, may not be enough to acquire a new leadership skill. Instead, an executive coach can help the trainee through this transition phase until the skill becomes more natural and ingrained.

Another common on-the-job leadership development initiative is mentoring programs. Formal mentorships, compared to informal mentorships, are assigned and administered by the company (Vomas, 2014). The most common mentoring program pairs an inexperienced manager with a more experienced, senior manager (Vomas, 2014).

Mentorships are designed to help the junior leader grow, either through modeling, or developing the younger leader as part of a team (Vomas, 2014). Companies can also tap into their internal networks to connect aspiring leaders with more established leaders within the organization or company.

One potential downfall of leadership development programs is retention and application. In other words, the lessons learned from the classroom setting may not carry over outside of the program (Collins, 2002). Once the course ends, trainees resort back to their old ways of leading (Collins, 2002). A more established approach is active-based learning, or a continuous process of learning and reflection, which attempts to indoctrinate the new skills until they become engrained (Day & Halpin, 2001). Active-based learning is most successful when it is problem or project based (Day & Halpin, 2001). Active-based learning not only helps improve individual leadership development but also helps company's respond to major business problems (Day & Halpin, 2001). In other words, active-based learning advances both the company, as well as the leadership trainees (Day & Halpin, 2001).

The cumulative piece to developing an effective leadership development is to measure the impact of the leadership program (Fulmer & Wagner, 1999). Developing a leadership program that does not work is not only counterintuitive, but it is expensive. Many organizations and companies use informal evaluations to gage effectiveness, such as employee satisfaction surveys. However, these methods tend to be more biased and less rigorous than formal assessments (Monarth, 2015). While employee satisfaction is an important outcome in leadership development, it may not be an accurate predictor of leadership competency put into practice (Developing Leaders, 1999). More formal assessments with a control group who did not receive the leadership training can give more accurate data on whether the leadership training program is effective (Monarth, 2015).

Leadership development programs are effective to the extent that they can make marked economic or strategic differences in the company (Monarth, 2015). Measuring this impact should be strategized ahead of time and built into the leadership program's design. Without verification of leadership growth, there is little likelihood of continued support from senior management. To be internally valued, leadership development training must go beyond gathering participants' reactions to the program. Learning about leadership is not the end goal; it must result in changed leadership behavior in the workplace.

III. Leadership Development in Leading Residential Real Estate Companies

This section overviews leadership training and development at leading residential real estate brokerages within the United States. The selected companies were chosen based on their overall sales productivity, organization size, leadership development programs, and name brand recognition.

Keller Williams is the largest real estate franchise in North America and has offices all over the world (Freifeld, 2015). Keller Williams' business philosophy centers around the concept that agents are "partners and stakeholders" in the success of the brokerage (Culture, nd). According to the Keller Williams website, "Today's world demands strong, skilled leaders, whether it's as the leader of your solo business, a mega team, a community group or a leader in your family" (Kaufman, nd, para. 1). To this end, Keller Williams offers extensive leadership training through Keller Williams University (Kaufman, nd). Formally established in 1996, *Keller Williams University* is the preferred method of advancing the company's commitment toward leadership development (Kaufman, nd).

Keller Williams University has formalized its leadership development and provides curriculum addressing "every aspect of success in real estate" (Kaufman, nd, para. 1). Keller Williams' leadership development training is established in-house and was developed after studying the leadership behaviors of the brokerage's most successful members (Freifeld, 2015). The program is frequently updated and improved in order to remain current and effective (Freifeld, 2015).

Keller Williams leadership culture is premised on education and learning. "As an education-based company, we always are investing in training…we unified our training divisions and hired our first Chief Learning Officer…[with] deep experience in educational programming" (Freifeld, 2015, para. 2). Keller Williams premises its leadership training on the concept that "leadership, like any other skill, can be learned, developed and mastered through study, emulation, and experience" (Kaufman, nd, para. 1). For example, Keller Williams', *Leadership Unlocked,* "explores the mindset, skills, and habits one must develop to become a leader others will follow," (Kaufman, nd, para. 2).

During training sessions, agents, staff, and brokers learn a variety of leadership topics including, "how to adopt the mindset of a leader, the difference between leading and managing, and servant leadership," (Kaufman, nd, para. 2).

Keller Williams goes to great lengths to make its leadership development programs readily available. The brokerage offers online multimedia training, so agents have access to leadership skills 24 hours a day, seven days a week (Leadership, nd). In addition to leadership classroom training and self-study, agents can attend other leadership courses at live face-to-face workshops and events throughout the year (Leadership, nd).

If Keller Williams leadership training sounds extensive, it is. Interestingly, Keller Williams views itself as "a training and coaching company that also happens to be in the business of real estate" and believes that its commitment to training is at the core of what sets them apart from other residential brokerages (Education, nd, para. 1). Not surprisingly, with this much focus on agent leadership development, "Keller Williams was named the number one training organization in the world" in 2015 (Freifeld, 2015, para. 1).

RE/MAX founders, David and Gail Liniger, started the real estate brokerage out of a single Denver, CO office in 1973 (RE/MAX, nd, para. 1). Today, RE/MAX has over 100,000 agents in more than 90 countries with over 7,000 offices (RE/MAX, nd). RE/MAX focuses on 70 regions and owns many of its regional franchises (RE/MAX, nd). These regional franchises oversee the licensing of individual franchises (Seliger, 2015). To accomplish this task, RE/MAX relies on a strong agent network (Seliger, 2015).

To achieve its goals and directives the company established RE/MAX University in 1994 on the RE/MAX Satellite Network (RE/MAX, nd). Subsequently, it was the only real estate training program to be transmitted via satellite (RE/MAX, nd). Today, RE/MAX University is a 24/7, on-demand resource library with over 1,000 leadership and professional growth titles which can be delivered via television or the Internet to computers, smart phones, and tablets (RE/MAX, nd).

Like its competitor, Keller Williams, RE/MAX University has received national and international acclaim for its training programs. RE/MAX University "has been recognized with over 150 international film and video awards for innovation and creativity, and in 2014, for the third consecutive year, it was named by Training Magazine as one of the best corporate-sponsored training programs," (RE/MAX, nd, para. 2).

Weichert Real Estate is one of the largest independently owned real estate brokerages in the United States (Weichert, nd). In 2002, Weichert started franchising and today has thousands of brokers and associates. With over 500 offices and affiliates in 37 states, Weichert serves over 200,000 clients annually (Weichert, nd).

To help its agent succeed, Weichert offers a mixture of office-based learning and online courses intended to help agents grow professionally. "We believe that it is essential to provide training resources to each one of our associates and employees, from our newest sales associates to our most experienced executives. Even the most qualified team member has more to learn," (Weichert, nd, para. 7).

According to Bill Scavone, President and CEO of Weichert, the leadership training the brokerage provides its agents offers "invaluable insights and business management techniques to help brokers and managers build a high-functioning office" (Weichert, nd, para. 2). Weichert's concentrated leadership curriculum "emphasizes budgeting, building agent equity, steering the career development cycle," and management systems "at other successful Weichert affiliate offices across the country," (Weichert, nd, para. 2).

Weichert's "Sharpen Your Saw" leadership training, made famous in *7 Habits of Highly Effective People,* by Stephen Covey (Covey, 1989), focuses on identifying key behaviors for any person to grow professionally. Training includes "creating action plans to help brokers recruit top-notch agents while maximizing the strengths of current staff members," (Nisbet, 2016, para. 3). Weichert's leadership training is also designed to provide business management skills and to help brokers "build a high-functioning office to better serve the real estate needs of their community" (Nisbet, 2016, para. 3). Brokers must complete the week-long Weichert Management Academy before they can attend the 'Sharpen Your Saw' leadership program (Nisbet, 2016).

Century21 Real Estate LLC is comprised of 6,900 independent franchises with offices in 78 countries (Century21, nd). Considered the most recognized brand name by consumers in real estate, Century21 has over 100,000 sales agents (Century21, nd). Century21 believes that leadership development plays "an important role in the long-term success of Brokers, Managers and Sales Associates," (Century21, nd, para. 2).

Century21 University is an internal education program that offers courses designed to "transform agent's skills, knowledge, and habits," (Century21, nd, para. 2). Century21's training programs are offered in a wide variety of formats, including a video library, online, social network groups, self-paced courses, and live-classrooms (Century21, nd). The courses are approximately sixty minutes in length and are compatible with most mobile devices and cover a variety of leadership and management topics (Century21, nd).

IV. Discussion and Conclusion

Leadership development programs typically are formal in nature and contain many of the same elements, such as a dedicated leadership curriculum, customized training areas that meet the company's specific leadership needs, coaching or mentoring of trainees, action-learning, and program assessment (Day & Halpin, 2001). While the style or format of leadership development programs varies widely, the goal is largely the same – to help individuals within the organization become better leaders.

The same is true of leadership development in real estate. The leading residential real estate brokerages offer leadership programs that are holistic and systematic in nature with specific leadership training areas and individual coaching or mentoring. Leadership development is so valued at these high profile brokerages that many offer "universities" to build leadership skills in a convenient and easily accessible format. RE/MAX, Centry21, and Keller Williams all have online libraries stocked full of leadership training webinars which are available to any staff member or agent twenty-four hours a day seven days a week.

Having a library of leadership tools, however, does not necessarily guarantee a positive leadership culture. Perhaps the most essential element of a thriving leadership training program is the presence of a prominent leader (Day & Halpin, 2001). In other words, the residential brokerage that hopes to increase its leadership footprint needs an established and admired leader first to point the way. Not surprisingly, the leading real estate brokerages model their leadership development program curricula after people within the organization who have a successful track record and admired leadership acumen.

Regardless of the curriculum, leadership development must become a systematic process, not a one-time company event (Day & Halpin, 2001). Leadership does not happen in a day. It must be worked on daily (Maxwell, 2007). Annual leadership conferences, therefore, are not as transformative as established programs that implement leadership principles consistently and routinely within the brokerage. Effective leadership development depends more on consistent execution than on the use of inventive programs, (Day & Halpin, 2001). Keller Williams, for example, excels at this; leadership development is inherent within the company culture. In addition to its online leadership training, workers can attend other leadership courses at live face-to-face workshops and events throughout the course of the year (Leadership, nd).

Successful leadership training, however, is more of a result of the interdependence of leadership practices, rather than the composition of its courses (Day & Halpin, 2001). In other words, leadership development must be intentional and there is not a one size fits all or best practices model that guarantees leadership transformation. The most crucial element of any leadership development strategy is the regular implementation of the program (Day & Halpin, 2001, p. 48). Therefore, residential real estate brokers who wish to increase leadership within its company or organization need not worry about whether they offer similar leadership programs as the leading residential real estate brokerages. Instead, they can provide affordable alternatives that focus on providing consistent leadership development growth that fits their own company's needs. Once equipped with its individual leadership program, the brokerage has access to all of the key ingredients necessary to train and develop current and newly licensed agents, as well as implement these strategic principles within their brokerage.

No matter the size of the real estate brokerage or overall leadership goals, a desire to increase leadership is the first step toward building an effective leadership development program. The leading companies in the United States, including real estate brokerages, develop their leaders. They are purposeful in their approach and consistent. They view leadership development as an investment and realize that the dividends may not be immediately realized.

Likewise, leading brokerages openly recognize that leadership is not merely reserved for those in upper management positions. Leading real estate brokerages overtly believe that leadership capacity can be found at all levels in the company. For this reason, leading brokerages orchestrate leadership development systemically throughout the entire company from the receptionist to staff, to the agents, to managing brokers, and upper management. While each member of the company may not receive the same leadership training, the core principle is the same – to professionally grow one's leadership capacities.

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