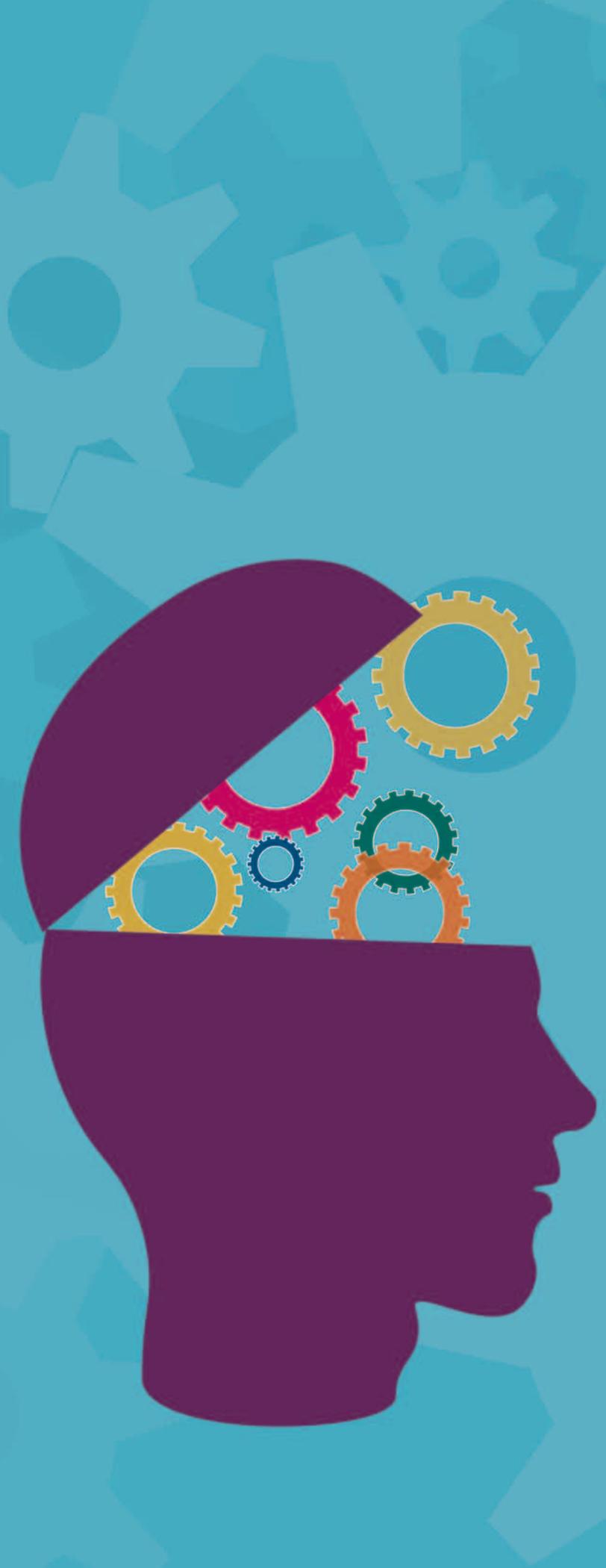


Leading in times of CHANGE

As the Covid-19 pandemic is speeding up changes in the industry, cultural shifts are happening on the ground. Firms are having to rethink strategies for attracting and retaining talent, for succession planning and for ensuring the longevity of their organization within a growing industry.

NAREIM and **Bill Ferguson** of **Ferguson Partners** speak with **Molly Bordonaro** of **The Green Cities Company**, **Dave Kutayiah** of **Clarion Partners**, **Amy Price** of **BentallGreenOak** and **David Schwartz** of **Waterton Associates** to discuss traits of great leaders and where the next generation of real estate investment management leadership will come from in a post-Covid world.

By Bill Ferguson and Zoe Hughes





PARTICIPANTS

**Molly Bordonaro***Managing Partner, **The Green Cities Company***

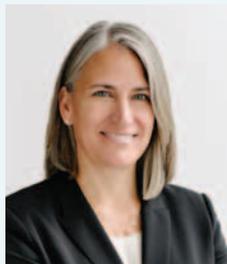
Molly oversees investment management, investor relations and asset management. With more than 20 years of commercial real estate experience including transactions, financing, management, leasing and operations, she also serves on the firm's Investment Committee. Previously, Molly was a principal at The Gallatin Group and a co-founding director of an investment fund specializing in the financing of real estate development in low and moderate-income areas. From 2005 to 2009, she served as the US Ambassador to the Republic of Malta.

**William J. Ferguson***Chairman and CEO, **Ferguson Partners***

Bill conducts senior management recruiting assignments, with a specialization in president/chief executive officer searches and recruiting assignments for boards of trustees/directors. He also conducts CEO succession planning assignments and facilitates public company board assessments and senior management assessments. Before founding Ferguson Partners, Bill was a managing director with one of the leading international executive recruiting consultants. There, he co-managed the firm's national real estate practice. Prior to focusing on real estate, Bill worked for General Mills, Inc. in strategic marketing.

**Dave Kutayiah***Managing Director, Head of Human Resources, **Clarion Partners***

Dave is responsible for managing all human capital activities for the firm. His responsibilities include talent acquisition, management and development; compensation and benefits; employee engagement and social responsibility activities. He is a member of Clarion Partners' Operating, Talent Management, Social Responsibility Committees, Compensation Committee and an advisor to the Clarion Executive Board. Dave joined Clarion Partners in 2008 and began working in the financial services industry in 1996, supporting both public securities and private equity businesses.

**Amy Price***President, **BentallGreenOak***

In her role, Amy also co-heads the firm's US Investment Management business and oversees its Canadian Investment Management and Real Estate Services businesses. Amy is a member of the Management Committee, chairs the US Investment Committee for the firm's core, core plus and separate account clients, and co-chairs the US Management Committee. Amy also leads BGO's equity, diversity and inclusion (EDI) initiatives globally and chairs the firm's EDI Leadership Council. Prior to joining the firm in 2012, Amy was a managing director and head of real estate investing for the Western US at Morgan Stanley.

**David Schwartz***CEO, Chairman and Co-founder, **Waterton Associates***

David is responsible for strategic decisions and leadership of the firm's business activities and operations, and participates on the Management and Investment Committees. Prior to co-founding Waterton in 1995, he was a vice president of acquisitions for Equity Residential Properties Trust (EQR-NYSE) and from 1985 through 1989 was with AMLI Realty Co. He is a member of the executive committee, a senior officer and chairman of the National Multi Housing Council (NMHC). He is a member of the Urban Land Institute (ULI) and the Pension Real Estate Association (PREA).

Bill Ferguson, **Ferguson Partners:** Let's start at a strategic level. What are the key strategic opportunities and concerns occurring in the industry and within your individual firms that you spend most time on? What issues will impact how you look at the future leadership of your firms?

Amy Price, BentallGreenOak: For me, it starts with defining our competitive positioning in the wake of consolidation in the industry. Asking ourselves who are we today, where are we going and how does that fit into our industry landscape. The industry is far more sophisticated, complex and competitive than it was even a decade ago. To be a global diversified investment management company, we need to have deep and local expertise across several major regions of the world, and we need to invest across the risk spectrum. Within that, it's about defining our point of distinction and how do we fit in that spectrum.

Next, we are focused on becoming a more sustainable business with more sustainable buildings in an industry that is awakening to the responsibility it bears to reduce its overall carbon footprint. What's going to change dramatically in the next five to 10 years is the impact that public policy has on private priorities. We need to have more efficient and innovative buildings that enable us to move toward carbon neutrality. Increasingly, the tenant voice is adding to the imperative in this shift towards greater sustainability and that market force directly impacts how we evaluate and manage our assets for a resilient and successful future.

My third concept is attracting young talent. Real estate investment management has matured as an industry, but how do we introduce it more widely? That obviously dovetails into how we build an inclusive industry that attracts younger talent who are a reflection of the cities of tomorrow. Our buildings cannot find their place in that future if fresh, diverse thinking and management acumen are not powering the decisions we make as a firm.

David Schwartz, Waterton Associates: The strategic issue our industry and all industries are facing is the future of work. We all agree being together is important, but people like working from home too. Figuring out that balance and what that future looks like is an immediate strategic priority.

For our industry in particular, the regulatory environment around the government's role and social justice as it pertains to raising rents and evictions is a big factor. To add onto that,

diversity, equity and inclusion is top of mind. We're going to have to be diverse to be successful, because a lot of our customers, whether it's our investors or residents, are equally diverse, and so our companies need to reflect that.

As Amy said, attracting and retaining talent is connected to culture. Culture was not a huge driver when I started in the industry 30 years ago; compensation and other things were. Now quality of life is a big deal. We constantly have to adapt strategically to attract and retain talent.

Molly Bordonaro, The Green Cities Company: It was never our intention, but we rebranded The Green Cities Company during the pandemic. Two weeks before shutdown, we bought out our retired partners and went through a rebranding process focusing on mission, vision, values and culture.

But picking up on what David said, we have been focused on culture. We have looked at who makes decisions within the firm and how are they made, especially when they impact people's personal lives.

At the same time, employees are radically changing what they want. The pandemic accelerated things where employees for the first time are saying, "I have a say in my life and my lifestyle, and if you don't meet that, I'm going to go somewhere else."

Through our process, we've had some turnover which was positive because they weren't meeting the new culture where we were going. We've also engaged with our employees and had some really frank and sometimes hard discussions about their role in how and when they're able to make decisions, and

“ We need to have more efficient and innovative buildings that enable us to move toward carbon neutrality. Increasingly, the tenant voice is adding to the imperative in this shift towards greater sustainability and that market force directly impacts how we evaluate and manage our assets for a resilient and successful future. ”

“ Attracting and retaining talent is connected to culture. Culture was not a huge driver when I started in the industry 30 years ago; compensation and other things were. Now quality of life is a big deal. We constantly have to adapt strategically to attract and retain talent. ”

who makes them. Employees have been asking for greater transparency and equity in the firm’s decision-making.

Molly, what have been some of those challenging discussions?

MB: We asked our employees, in particular our next generation of leadership: “What are we doing right as leaders and what have we not done right?” Hearing what we haven’t done right has been hard to absorb. But it’s also been really interesting. Ultimately my partners and I cannot become better leaders unless we hear those things and take them in. We don’t have to agree with all of them, but we owe it to them to explain where we don’t agree.

BF: Dave, you normally don’t hear this much human capital chatter when you ask people about strategic issues. It’s a powerful message in and of itself. How would you answer the question about both strategic opportunities and strategic concerns?

Dave Kutayiah, Clarion Partners: Human capital should always be a strategic priority for organizations, especially in this highly competitive, talent-driven market. In my view, there are two key differentiators in the REIM industry: people and processes. One of the biggest human capital challenges we’re facing as an industry, and have been focusing on at Clarion Partners, is a generational shift. Nearly 50% of the world’s population is under the age of 35. This means that we have a lot of challenges ahead in terms of how we focus on knowledge transfer for the next generations ahead. How do we equip and develop our bench to take the helm?



The second challenge is balancing the need for remote work and flexibility in the workplace while supporting our value proposition of physical space as commercial real estate owners. Covid-19 has forced remote work on a mass scale and has shattered one of the most durable notions of the workplace: “It’s hard to trust employees to do their jobs if you can’t see them.” How do we sell physical space, satisfy our employees’ desire for flexibility, and ensure that our clients are attended to as well? To succeed in this new operational paradigm, we need to understand the business case for change, assess the expected employee experience (i.e. will it require a shift in both mindset and skill set?), and create organizational enablement (i.e. adopt new and better ways of working).

The third one I would say is diversity, equity and inclusion. How do we continue to foster a diverse and inclusive environment and create challenging and satisfying opportunities for women and people of color, especially when most of the focus in the last year has been on navigating the vagaries of Covid-19? We have to remain steadfast in our



iStock.com/erhu11979

pursuit to create a more inclusive and equitable environment for all of our employees, and to establish meaningful goals and hold ourselves accountable for them.

DEFINING GREAT LEADERSHIP

There's no one definition or playbook as to how you become a successful CEO or a successful leader. For all of you, what is great leadership?

DK: That's a question I've been actively thinking about since I started my HR career, but most recently during Covid as people are defined by how they behave and how they respond in times of change and volatility. That's when you see true character and, dare I say, leadership. When I think of good leadership, I think of our CEO, Dave Gilbert, who makes people around him better. I think this is an essential quality for a successful leader. One, your team is either inspired to do better because they respect you and want to do well for you, or

“ Good leaders tend to step back and say, ‘How can I take your advice? How can I take your judgment? How can I do it differently than my own preconceived notions?’ The great leaders are very flexible in their mindset. Great leaders also create the right conditions for success. ”

two, you help make them better because you create the right set of challenges to ensure that they can succeed.

I also think that great leaders recognize that your company's ecosystem is far more complex and interdependent than your own personal style and preferences. There are so many leaders who are so autocratic and didactic in their approaches that they feel like everyone should coalesce around their particular style. Good leaders tend to step back and say, “How can I take your advice? How can I take your judgment? How can I do it differently than my own preconceived notions?” The great leaders are very flexible in their mindset. Great leaders also create the right conditions for success. They create the context, they give you the tools and they give you the opportunities to go be successful. A good test is, can they unify their teams and energize the organization to achieve desired outcomes?

In terms of future leaders, we are seeing some emerging trends among Millennials and Gen Z. They are a lot more purpose-driven than other generational cohorts. They think about the greater good. I heard a really interesting term recently, the three Ps. Purpose-driven leaders are now focusing on three things: profit, people and planet. They call it a triple bottom line as they recognize the interconnectivity among the three. They seemingly care about all three pillars of ESG as well as the bottom line.

AP: I think it's more important than ever that leaders have a vision and can articulate their firm's mission and purpose in a way that connects to a greater community impact and motivates people. Younger generations in particular want to be part of a solution. They want to drive change and they want to work in a place that creates avenues and openings for them to participate in and practice good corporate citizenship. At the same time, it's

got to be authentic and connected to action; strong leaders ensure we walk the talk. Take sustainability as an example; if that's part of your mission, then how is ESG actually incorporated into your investment evaluation criteria? How is it celebrated? What mechanisms are in place to reward ESG performance and how are employees pegging their professional goals and objectives to ESG outcomes? We challenge ourselves all the time with these questions to ensure that ESG as a firm value runs deep and prevalent in all that we do.

The experience of managing through a global pandemic has taught us a lot about leadership. It's shone a spotlight on the importance of compassion, visibility, communication and empathy. In a world of disruption and change, transparency gives people a lot of comfort and builds vital, virtual bridges in a time when physical touchpoints have not been possible.

Finally, it's really important to identify and develop talent in your organization who will be good leaders in the future. As an industry, we have historically promoted and rewarded good investors. They are still mission critical, but we must evolve our definition of leadership to extend beyond traditional metrics to include a wider array of skills that are crucial for our fast-paced, technology-driven world. We are living in the information age where personal and business interactions are taking place on new platforms and mediums. As an industry, we need both investment acumen and the new, soft skills that are redefining what it means to be connected to the communities that drive our business.

MB: I agree wholeheartedly with everything Dave and Amy said. Leadership to me is really understanding, and that requires a lot of listening, building trust, and then from there

“ Leadership to me is really understanding, and that requires a lot of listening, building trust, and then from there developing clear strategies or paths with buy-in. Right now I'm focused on understanding and listening to our internal employees and building trust with them. ”

developing clear strategies or paths with buy-in. Right now I'm focused on understanding and listening to our internal employees and building trust with them. You do that in many small moments, not just in big ones.

DS: If I were to sum up a few things that I think are critical, one is picking some north stars, not get overly bogged down on details, but at a high altitude pick some important things that you don't want the company to deviate from. To me that has always been integrity, always doing the right thing and not deviating from that, even if it's not in our financial interest. Another one with me is a culture of nice and being respectful to each other.

I think authentically caring about the people you work with is really important. There was a time CEOs could get away without doing that, but it doesn't fly anymore. You need emotional intelligence, and that's authenticity, understanding, knowing if something's wrong with someone and seeing how they're doing. But people want to win too. If you're not winning anything, you're not going to be able to keep talent.

DK: I wanted to add one more thing to what David said. As you grow and you expand your business, you have to hire or surround yourself with people you trust as CEO and ensure that they'll have the right skills, the right expertise and the right judgment, and allow them to be autonomous. You want to surround yourself with people who you can say: "You've got my back and I won't ever have to worry about staying up at night thinking about X, Y and Z." Your folks should always be three steps ahead of you and be able to anticipate what you need, how you need it and be able to deliver with precise execution. I think that helps most CEOs.

WHERE WILL FUTURE CEOs COME FROM

As we look to the next 10 to 20 years, will we start to see non-transaction executives have a route to the C-suite, particularly the CEO position?

MB: As a woman, I grew up in this industry thinking leaders come from the deal side. I've come around to the idea that I can't do any of this without an amazing team. They are valuable, they need to trust me and I need to trust them, and we need to have buy-in across the board. It really has to come from a more organic, holistic source within our own team.

DS: I'll bring a different perspective because I'm a founder and I've taken the traditional route. I don't think it's definitely from the deal side. If I had to hire a CEO, I probably wouldn't hire someone like myself, but I would hire me to go out and find deals or help raise capital. You see a lot of those types of leaders in place because they were entrepreneurial and started their companies. I've been forced personally to learn a lot of skills.

I think in the investment management space, the main customer is your investors. If your business is investing, the CEO should be proficient and respected with a track record of doing that over their career. Would a CFO migrate into the CEO position? We see that in public companies because they're talking to shareholders. You don't see it as much in the investment management space. You could have investor relations people who migrate into the CEO role because they've already had the decades of experience interacting with the investors. I think in today's world it would be more acceptable than if it were coming from a different area than acquisitions.

DK: There's such a strong bias for deal people in our business that we often get blinded by the other talents who are peripheral to the deal process. I have more command of the human capital space, but based on my experience in real estate, we do two things: we raise capital and we invest capital. So why not look at the people who raise capital or from other disciplines as potential candidates? Why limit your pool to just investors? Investors can coach and go find the deal. Similarly, the capital raisers can do the same because they know the client.

We have to be a little more open-minded. In the securities business, a lot of CEOs come through the distribution arm or the COO or CFO function. We probably need to be more flexible in our thinking about where talent comes from, and it shouldn't always exclusively come from the CIO role, or the transactions group, or lead acquisition personnel. It can come from somewhere else. Obviously, there's a high correlation between direct investment experience and investment credibility, but we should think of talent management more holistically and provide the right skills and opportunities for emerging talents to be successful when they're promoted into greater positions of responsibility and accountability.

AP: One-trick ponies are relics from a bygone era in business management. Our industry asks a lot of its leaders and rightfully so. As professionals at BGO elevate to increasing levels of leadership, we expect them to fundamentally understand what it means to be client-centric and, equally, we

“ The quality, the knowledge, the professionalism of the C-suite clearly has become much more balanced than it ever was. You're going to get people coming from different disciplines. ”

expect them to understand the markets we invest in and the socioeconomic factors that inform and impact the delivery of our strategies. It is my fervent belief that being multifaceted in our business and across a wide variety of stakeholder groups enriches our leaders with the perspective to exercise sound judgment and make better-informed decisions. I wouldn't look decades into the future for this new leadership mold to take shape, it's already present today and in very high demand.

BF: A couple of observations from my perspective. I think to David's point, the skill set of a founder is different to the skill set of the next generation. Founders tend to be very entrepreneurial, they tend to be action-oriented, they tend to be controlling, and they tend to work the hours it takes to get it done. And once a company gets to a certain size, a different skill set is required. I think skill sets differ depending upon where a company is in its evolution, so I would make that point first.

Secondly, on where succession comes from, historically it has been the investment side in the real estate investment management business, but many more functions across the C-suite have become much more sophisticated. You bring capital raisers into the room with an investor and they are as sophisticated as anybody else on that C-suite. The quality, the knowledge, the professionalism of the C-suite clearly has become much more balanced than it ever was. You're going to get people coming from different disciplines.

And the last point I'd make, we started a leadership series called Masterminds: Lessons in Leadership, and we've interviewed probably 15 to 20 CEOs across a variety of sectors. To David's point, we asked them, "What drives success?" You know what we hear? We hear issues like integrity. We hear issues like humility. We hear issues like empathy. We hear issues like generosity. What that tells you is that these people differentiated themselves based upon who they are, not necessarily what they did. And that's a very powerful message. ♦