

Lessons Learned and Earned, Part III

Realizing your most valuable assets and learning to delegate—plus: We all know how this ends, so be prepared

The past two weeks, this column has recapped a speech I gave to the local chapter of the CCIM in late April. The speech was an overview of the lessons that I have learned over my 27-year brokerage career, which includes growing Massey Knakal Realty Services.

This week will conclude the 30 lessons delivered at that speech.

During the history of Massey Knakal, which goes back to 1988, we encountered several inflection points that were critical to the company's growth. The first came in 1993 and 1994, when the market started to recover after the S&L crisis had slowed the volume of sales activity to miniscule levels and forced property values to plummet.

The way we chose to sell properties in New York was, essentially, to apply an institutional approach to the sector commonly referred to as the "private client" segment of the market, with assets worth between \$1 million and \$100 million. After very slow sales activity marketwide from 1990 through 1992, we started to see lenders sell properties in large numbers in 1993. This process of distressed asset sales consisted mostly of R.E.O. transactions, as

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banks had foreclosed on hundreds of properties and were in the process of selling them.

There was some note sale activity at this time, but it was not nearly as prominent as note sale activity has been in this recent cycle. Fortunately, the banks that we were dealing with were attracted to our institutional approach so we were able to secure a significant number of bank-exclusive listings, which brought the company to a different level in terms of our client base and

the number of sales we were closing on a monthly basis. This period of 1993 and 1994 was inflection point No. 1 in our development.



Robert Knakal

During the 1995-to-1998 period, we implemented a plan of slow, steady growth. We would add one or two people per year as we were always very cognizant of wanting to bring on the best quality people rather than a significant number of people. Consequently, the services the company provided

were considered excellent by the customers whom we were serving. This slow, steady growth and attention to quality was an important part of our growth. So ...

LESSON NO. 21: Strive to be the best, not the biggest.

Inflection point No. 2 occurred in mid-1998, when each of the territories that we had identified in Manhattan, south of 96th Street, was occupied by a Massey Knakal broker. Paul Massey and I were faced with the question of what to do next. Do we get into other lines of business, such as office leasing and appraisal? Or do we expand our geographic footprint and move into the outer boroughs? We observed that property values were increasing in the neighborhoods outside of Manhattan and, interestingly, most Manhattan brokers did not have any interest working in the outer boroughs.

We made the assumption that if we had gotten into office leasing at that point, we would have been the 100th-best office leasing firm in New York, but if we went to the boroughs to sell buildings, we would be among the leaders in that discipline. In February 1999, we opened our first satellite office in Queens. We believed that we could do a good job selling buildings and saw fundamentals improving in the outer boroughs, making properties there attractive to Manhattan investors. So ...

LESSON NO. 22: Maintain your core beliefs while constantly adapting to changing market conditions.

Inflection point No. 3 for the company came in the fall of 2001, right after Sept. 11. After the terrorist attacks, many companies decided to downsize and we saw a tremendous number of highly qualified people out of work. Paul and I had a deep-seated conviction that New York was resilient, New Yorkers were strong-willed, and that New York would recover and retain its position as the greatest city in the world.

As companies were downsizing and taking cover, we were very contrarian in our thinking. In September 2001, Massey Knakal employed just 21 people. We went out and hired a human resources director and decided to grow the company very significantly to take advantage of all the highly qualified people who had been displaced. Within three years, the firm grew to approximately 200 people.

Until that point, Paul and I had been interviewing every potential candidate for a position at the firm. In fact, we were too hands-on. We had taken turns taking out the garbage from each of our offices. The first four offices we had we painted ourselves, and we moved our office furniture ourselves from one location to the next. It wasn't until our fifth office location that we actually received cleaning services as part of our rent. We wasted a lot of time doing all of this nonsense. So ...

LESSON NO. 23: Be willing to delegate responsibility.

Post-9/11 was a time of great concern for many people. We had clients who were selling buildings so they could move out of New York because they were afraid of additional attacks. And the bunker mentality was something that was pervasive throughout the city.

In Sun Tzu's *The Art of War*, there's a passage that reads, "If there is one person in 10 with courage, even though the other nine are timid or cowardly [not that our people were], depending on the bravery of that one person, they can still be secure." It was important for us to demonstrate that we believed everything would be O.K. and that we knew we would prevail regardless of the circumstances in the market at that time. So ...

LESSON NO. 24: Have courage and demonstrate it.

Inflection point No. 4 came in April 2002, when CoStar first published its list of top sales brokerage companies in the city. Our perception was that we were doing a good job and were selling a lot of buildings, but we were very pleasantly surprised to see that we were at the top of the list in terms of number of property sale transactions in New York City.

That gave us a significant amount of confidence and, based upon the tremendous job that our H.R. director was doing, we decided (although we were concerned that we couldn't comfortably afford it) to bring on an entire C-level executive team, including a C.F.O., a C.O.O., a V.P. of corporate services, a C.T.O., a director of marketing and managing directors. The delegation of responsibility to these C-level managers helped accelerate the growth of the firm. So ...

LESSON NO. 25: Hire more help than you think you can afford provided the risk/return trade-off makes sense.

In addition to hiring the C-level management staff, we had always been very cognizant that our reputation was the most important thing that we had in the business. In any service business, your main assets go up and down the elevator each day. It was very important to us that we made our employees feel as important as they actually were—and are—to us and that we provided a tremendous level of support and encouragement to them. So ...

LESSON NO. 26: Realize that, in a service business, your main assets are your people and your reputation.

To bolster our reputation in the marketplace, we realized that, first and foremost, the way we inter-

act with participants in the market would dictate that reputation. Additionally, marketing efforts, such as sending out press releases of all sales, listings and milestones, were important to create awareness of our activity.

Additionally, knowing that we were in the information business, we began to produce various market reports and have published our *Building Sales Journal* newsletter since the formation of the firm in 1988. Our brokers do a tremendous amount of public speaking and we encourage all of our employees to attend networking events regularly.

It is important to see clients face-to-face and to build relationships with them because, in general, people are more likely to work with someone they know and like than with someone who may be slightly better qualified to do the job. Clearly, it is better to be more highly qualified as well. But likability is a key. So ...

LESSON NO. 27: People work with whom they know and like.

To further enhance our reputation, we encourage all of our people to write articles, write blogs, and be active on Twitter and other social media to share current market conditions and to further enhance their reputation and stature within the marketplace.

We also encourage each of them to recognize that information should never be disseminated in a skewed or slanted manner, but should be direct and reflect the current market conditions, even when they are not positive. So ...

LESSON NO. 28: Realize that honesty and integrity are at the core of business success. (This lesson applies both to the work you do for your firm and in your personal life.)

As I stated earlier, in a service business your people are your assets. It is important to hire the best people available and to invest in

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them through training, mentoring and working cooperatively. I believe that our training program is among the best in the business.

The Massey Knakal Training Manual consists of 286 pages that explain in detail the philosophy behind our platform, sales techniques, property underwriting and analysis, valuation, marketing and presentation skills. Essentially, the training manual teaches our employees how to be great brokers. This focus on training, plus continual improvement, creates the upward spiral of growth that lifts people to new levels. So ...

LESSON NO. 29:
**Hire the best people and
invest in them through
consistent training.**

Another component of our platform that is essential to our success is the understanding of our company values and conveying their importance to everyone at the firm.

Our core values are passion, integrity, excellence and responsibility—or PIER. A company's values are an expression of its character. Personality traits are short-term in nature, but character is long-term. Character also communicates much more profoundly than personality does. The great writer Emerson once wrote, "What you are shouts so loudly in my ears, I cannot hear what you say."

Passion is critically important to being able to excel in whatever you do—the passion to be the best in the business, or inner drive; the passion to deliver solutions that meet and exceed the client's expectations; the passion to provide a work environment that empowers people, and a realization that hard work, dedication and perseverance are essential elements of success.

Integrity goes beyond professional conduct and is really a lifestyle. Integrity incorporates a universal commitment to, and respect for, one another. It also is important to communicate honestly and directly. Integrity also includes having the utmost respect for the clients we serve.

Excellence is much more than just doing a great job. It is a combination of discipline and will, which is the backbone of enterprise and action, and of being what you are intentionally, instead of accidentally. Here, we value the consistency and strength of effort required to succeed in our industry. Excellence is a driving desire to be the best in all we do. We promote spirited teamwork through events, picnics, trips and outings, which leads to strong personal bonds and a collegial spirit. Aristotle once wrote, "We are what we repeatedly do. Excellence is not an act, but a habit." Excellence is captured by going beyond individual accomplishments to achieve common goals.

Responsibility combines discipline and hard work that leads to professional success. This is coupled with devotion to family and personal development. Responsibility is vital to a balanced and fulfilling life. Responsibility includes giving back to the communities in which we are active. In 2006, we formed the Massey Knakal Charitable Foundation to support family, educational and other locally focused charitable causes in the New York metropolitan area.

Sometimes when we are faced with difficult decisions or predicaments, it is comforting to look back on these core values for guidance. Often when contemplating these decisions, we think about these four values and then difficult decisions become rather easy. When these decisions are conveyed to those within the firm, the results are rarely unexpected based upon a keen awareness of what the company's values are. So ...

**LESSON NO. 30: Clearly
convey the company's
core values to everyone
in your environment
and live by them.**

By mid-2007, it was clear the effects of the credit crisis were tangibly impacting the marketplace. From 2007 to 2010, there was a 74 percent reduction in the number of properties sold and a 91 percent drop in the dollar volume of sales. We had to adapt to changing conditions once again and trimmed our staff by 25 percent.

Today, we're back in the hiring mode, and in January 2010 we faced another inflection point (No. 5). We had effectively occupied all of our sales territories in the New York metro area and had to decide whether to enter additional real estate disciplines or to increase our geographic footprint once again.

This time around, we decided to do more for the 125,000 property owners who already know us in New York rather than to go into new territories. We started a mortgage brokerage division and a retail leasing capability and these new disciplines are off to a quick start. We are very excited about what the future holds.

I must say that I feel extremely lucky that I love what I do for a living. And I can't see myself ever retiring from this wonderful business.

While each of the lessons presented here has to do with business, I'll leave you with one last lesson, which is perhaps the most important of all.

When we are on our deathbeds, a lot of what we did in business won't matter all that much. We will be thinking about our loved ones, our families and those we served. My highest priority in my life today is taking care of my wife, Cynthia, and my daughter, Sophie.

I am very fortunate that my older brother, Jeff, taught me a very valuable lesson many years ago and that was that success should not be measured by how much you worked, or by how many buildings you sold, or by how much money you may have made, but rather by the extent to which you are able to find balance in your life and a deep sense of peace. Those who are able to find it develop a clear sense of their highest priorities and those who live with integrity and focus on them are those who are truly successful.

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