

It's Time for the Commercial Real Estate Industry to Focus on

Diversity & Inclusion



Diane K. Danielson

CHIEF OPERATING OFFICER
SVN INTERNATIONAL CORP.

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INTRODUCTION

The commercial real estate (CRE) brokerage industry is at the edge of a demographic precipice. With a median age of 60 years old,¹ CRE brokers as a group are substantially older than the average funeral home director (median age of 53.1), textile mill worker (51.5) and religious organization employee (51.5), who work at the three oldest industries as recorded by the Bureau of Labor Statistics for 2017.² How did this happen?

The following are five factors that have contributed to the aging of the CRE industry:



1. **A tale of two recessions.** Generation X and millennials were both hit at the beginning of their careers with recessions (the early 1990s and 2007). This meant that CRE was not a career option for young or new to the business professionals for years at a time. There was also a hangover effect from these recessions, where young people didn't see their peers in the industry and, as a result, CRE careers were rarely on their radar screen.
2. **The dominance of dinosaur companies.** An industry-wide resistance to technology and the dominance of companies with over 100 years of history do not fit the cultural expectations of the entrepreneurial, growth-oriented companies that young people want to work for today.
3. **CREtech is an employment alternative.** CRE technology is a new and fast-growing industry and is attracting many young people who have an interest in real estate. Millennials and Generation Z candidates, who might have otherwise pursued brokerage careers, are instead opting to work for tech startups in the real estate space.
4. **Licensing boards focus on residential real estate.** The commercial part of real estate is rarely included in education and licensing. This means that only those who already know they want to be in commercial real estate are likely to pursue it.
5. **Student loans.** Commissioned-based brokerage work is hard to take on for someone with student loans, thereby eliminating many potential candidates.

With the majority of the CRE brokerage industry close to retirement, and the pool of traditional CRE talent constantly shrinking, it's time for the industry to be more proactive about diversity and inclusion.

¹ <https://www.nar.realtor/research-and-statistics/research-reports/commercial-member-profile>

² Note that the real estate industry as a whole has a median age of 48.4, per the Bureau of Labor Statistics, but this also includes residential brokerage. <https://qz.com/1313292/these-are-the-oldest-and-youngest-jobs-for-americans/>

DIVERSITY AND INCLUSION AS A COMPETITIVE ADVANTAGE

For every study that shows that having a diverse team is a financial advantage there are exactly none that say the opposite. Almost every issue has at least one opposing study or argument being made. The subject of diversity and inclusion appears to be the exception. When done properly, diversity and inclusion efforts result in increased revenues. In 2015, a McKinsey Report looked at 366 public companies in various countries and found that more ethnically and gender-diverse companies performed significantly better than others.

- The top quartile of companies for racial and ethnic diversity were 35% more likely to have superior financial performance.
- The top quartile for gender diversity were 15% more likely to have superior financial performance.

McKinsey updated the report in 2018, widening its pool of companies to 1,000, and its conclusions were consistent—finding out performance for racial and ethnic diversity of 33%, and 21% for gender diversity.³

Similarly, a 2018 Boston Consulting Group report found that companies reporting above-average diversity on their management teams also reported innovation revenue that was 19% higher than that of companies with below-average leadership diversity—45% of total revenue versus just 26%.⁴

Why the increase in financial performance and innovation? Diverse teams are better at problem-solving, because diverse teams bring new experiences and different ideas to the table.⁵

With both a defensive reason (the intense competition for talent) and a competitive reason (financial and innovative advantages), why aren't CRE companies doing a better job expanding the talent pool to include women and people of color? There appears to be two reasons. First, it's always easier to do nothing. But second, the CRE industry needs to better understand the difference between diversity and inclusion and why it needs both.

If an industry and its clients were ever in need of innovative problem-solving, it's CRE in 2019.

³ <https://www.mckinsey.com/business-functions/organization/our-insights/delivering-through-diversity>

⁴ <https://www.bcg.com/en-us/publications/2018/how-diverse-leadership-teams-boost-innovation.aspx>

⁵ <https://hbr.org/2017/03/teams-solve-problems-faster-when-theyre-more-cognitively-diverse>

DIVERSITY AND INCLUSION ARE NOT THE SAME THING

While we may see the words used interchangeably, diversity and inclusion are not the same thing. Jane Silber, board member and former CEO of Canonical, Ltd., a UK-based tech company, once said, “the difference between diversity and inclusion is being invited to a house and being able to rearrange the furniture.” In other words, when employees are “diverse” they are guests, until you make them feel comfortable enough to feel at home.

It’s not enough to hire someone because they are different. Inclusive companies empower and embrace those differences as part of their core. Making diverse and underrepresented people feel safe and a part of company culture is something that the CRE industry has yet to do with any success.

A diversity program without top to bottom inclusion is simply checking the box and will not effect change in an organization.

Unfortunately, unlike in most industries, there is a pipeline problem within CRE, and it’s not just due to the lack of millennials, the most diverse generation to date. It’s because the closed network status of commercial real estate has prevented women and people of color from entering into the industry pipeline and, more importantly, staying long enough to change the dynamics at the top.

You can't be what you can't see.

The lack of women and people of color in executive roles in CRE makes it difficult to attract younger and diverse candidates to the business. If new recruits look upward and don’t see anyone who looks like them, they will likely conclude there is little opportunity for their own career growth.

How can the industry make changes at the top, or at least provide younger and underrepresented groups with role models?

- **Recruit with intentionality.** Work with recruiters to find women and/or persons of color for senior positions. It may take longer, and you may have to bring in candidates from related industries, but it is possible.⁶
- **Provide appropriate support.** Senior executives who are underrepresented in an industry may need additional support to succeed, something outlined in the rest of this paper.
- **Recommend women and persons of color for speaking engagements.** Most conferences are trying to find diverse speakers and panelists, especially in industries lacking in diversity. Instead of sending the same individuals to panels, spread the opportunities around.

⁶ The author of this paper is proof that you can find women to fill executive roles in CRE if you work with recruiters to look beyond the traditional closed network of CRE executives.



HOW DO YOU BUILD AN INCLUSIVE COMPANY CULTURE?

Diversity will not work without inclusion. Even those CRE firms with diversity initiatives and programs still have inclusion problems. So how do you build inclusion into your business?

Outlined on the following pages are some suggestions and examples.

1. IF YOU CAN'T CHANGE THE PEOPLE, CHANGE THE SYSTEMS.

In 2015, we surveyed SVN® Advisors (brokers and salespersons) and asked how they got their first job in real estate. The results were not wholly surprising. Most women came to their first job in real estate through formal procedures (e.g., applying to an advertised opening) and often didn't come in as brokers. By contrast, almost every male advisor came into the industry informally through friends and family. Some may argue that women just need to network better. But, is putting the responsibility on individuals traditionally excluded by a closed network really fair?

This fairness issue is why we included a follow-up question, "how did you get your second job in real estate?" The answer: the majority of both female and male advisors networked their way into their second job in equal numbers. This result indicates the big problem is getting women and other underrepresented populations into the business in the first place. For this to happen, the system needed to be changed.

Armed with this information, the first thing we did at SVN International Corp.⁷ was to standardize our intern and new advisor hiring practices. Instead of putting the responsibility on women and people of color to break into an informal system, we made the system more formal for everyone.⁸ With the help of an on-line augmented writing platform, we rewrote our brokerage job descriptions to be more equally engaging to millennial men and women and then promoted them at colleges

and community colleges across the country. That summer, we documented that our offices not only hired more interns, but also hired 30% women and 30% people of color. While those numbers aren't record-breaking, they are above the standards for CRE brokerage.⁹

Since implementing this program, our quarterly SVN | Jumpstart® training sessions for CRE advisors who are new to the SVN brand have had, on average, approximately 30% to 40% women and people of color in attendance.

2. HIRE FOR SKILLS AND PERFORMANCE, NOT FOR PERCEIVED FIT AND POTENTIAL.

In addition to leveling the playing field for hiring where possible, CRE companies need to work towards hiring for skills and not existing "cultural fit." Studies have shown that men apply for jobs when they have 60% of the skills required and women when they have 100%.¹⁰ Based on that alone, women should be given a fair shot any time their application is in the ballpark. Unfortunately, studies have also shown that men are hired and promoted based on future potential and women on their past performance.¹¹ Instituting an even-handed skills-based assessment should be a step towards eliminating the two separate standards.

SVN® research has found that successful CRE advisors, regardless of gender, possess a combination of grit and a growth mindset. If candidates have demonstrated these characteristics, it is likely they will succeed no matter what they look like, provided they are granted equal access to opportunities and resources.

⁷ SVN International Corp. is the headquarters and franchisor of the SVN® commercial real estate brand.

⁸ Because our SVN® franchise offices are independently owned and operated, it needed to be an opt in program, but most were eager to participate.

⁹ In addition, several offices reported that the overall quality of all interns hired through our standardized system was higher than earlier years.

¹⁰ <https://www.business.com/articles/the-hidden-ways-gender-bias-can-sabotage-recruitment/>

¹¹ <https://hbswk.hbs.edu/item/why-employers-favor-men>

While personality and behavioral testing is one way to identify skills,¹² another way to detect grit and a growth mindset, based on SVN research, is through prior evidence of mastery over something that is harder to pursue than it is to give up. For example, elite sports success has been a sound source of CRE brokerage talent, because it tends to demonstrate the two elements of grit: “perseverance of effort” and “consistency of interest.” While recruiting athletes has skewed male over the past decades, there is no reason this has to be the case. Title IX, which has created equal funding for women’s sports, has been in place for over 45 years, and there are many women and people of color who have proven they have grit out on the playing field. SVN research also discovered other experiences that, like sports, can be indicative of the grit and growth mindset needed for success as a CRE advisor including the mastery of an instrument; exemplary, multi-year employment experience (at any level and in any industry); fluency in a second language; and/or a military career of distinction.

When you focus on skills and past performance, and not stereotypical cultural fit and perceived potential, you will not only improve the quality of hires, but also create a larger talent pool and the beginnings of a pipeline for diverse talent. However, for non-traditional candidates to succeed, you will still need to provide them with an even playing field.



¹² Admittedly, there is some debate on whether the popular “Grit Scale” or Activity Vector Analysis (AVA) behavioral testing can determine the existence of grit. This is because grit is the combination of two separate characteristics: perseverance of effort and consistency of interests. Therefore, a candidate could have one or the other, or even both, but the two would have to work in combination to produce “grit.” As of today, it’s not clear that existing tests are able to accurately measure when the combination of the two has occurred or if they will occur in the future. Nevertheless, being able to determine that candidates have one or both of those characteristics is important, and AVA testing is a means to eliminate the unconscious bias of cultural fit and perceived potential. See <https://phys.org/news/2017-09-validity-psychological-grit-scale.html>

3. CREATE A COMPANY CULTURE OF ABUNDANCE AND TRANSPARENCY

Diversity and inclusion efforts don't start and end with recruiting. It is what companies do after they hire that matters even more. In order to implement a culture of inclusivity, companies must create a mindset for abundance, where transparency is the cultural norm.

STEP 1: Eliminate the scarcity mindset.

Scarcity mindsets happen when employees are focused on the competition and keeping what they have out of the hands of others. It's the belief that for you to win, someone else must lose. It's the fear that to diversify an organization, qualified white men will lose out to underqualified "tokens." This does not have to be the case. A recent PwC study of Boards of Directors found that many of the boards that are diversifying are doing so by adding seats, not by replacing current directors.¹³ They are also expanding the qualifications to focus on skills and not just relying on the narrow, "former CEO" qualification.

The "locked door, locked drawer" mentality that permeates many CRE companies is the direct result of a scarcity mindset. This needs to be addressed because not only does it stifle inclusion, it limits a company's potential for innovation and increased overall financial performance.

An abundance mindset, a term coined by Stephen R. Covey in 1989,¹⁴ is when a person believes there are enough resources and successes to share with others. The irony of the "locked door, locked drawer" mentality is that CRE is an industry with abundance. While buildings and assets might change over time, they are certainly not scarce. In fact, we can't build housing fast enough in most urban markets. Even the recent adoption of Opportunity Zones in the Tax Cuts and Jobs Act of 2017, is the industry creating additional opportunities to invest in previously overlooked markets.

In effect, the CRE industry itself has created and is perpetuating an environment of "artificial scarcity." Yet, as demographics shift and CRE technology evolves, the perception of abundance will only be clearer as data becomes more ubiquitous, and new and unlikely buyers from across the globe continue to enter into new markets at increasing rates.

When a company adopts an abundance mindset, it means that there are more opportunities and resources for everyone, including those previously discouraged from entering the industry. Companies that adapt will benefit, as will all their employees, but especially the underrepresented ones. However, for women and people of color to truly benefit from the abundance mindset, a company also needs to operate transparently.

STEP 2: Create transparency in business operations.

Inclusion is not about special treatment; it's about treating everyone fairly. In fact, most women and people of color who are grossly underrepresented in their companies or industries don't want separate networks or initiatives. Nor do they want to change the rules. **They simply want to know what the rules are; something that is often hidden in companies that lack transparency.** One way to create a fair playing field is by operating with an open play book. Transparency is needed about how everyone gets paid and promoted, how the culture works, and how to access all resources whether they are tools, training

¹³ <http://fortune.com/2019/03/28/board-diversity-size/>

¹⁴ https://en.wikipedia.org/wiki/The_7_Habits_of_Highly_Effective_People

opportunities, or people. Note that equal access does not mean equal outcomes. Outcomes depend on the individuals involved.

Transparency begins by establishing company-wide metrics and road maps, adopting collaborative technology, creating opportunities for employee feedback, and being more openly communicative at all levels of the organization.

STEP 3: Build abundance and transparency into your company culture.

Transparency and abundance begin at the top, and are tenets that need to be incorporated into a company's operations and value proposition. The SVN® shared fee marketing system is an example.

Each of the 200 independently owned and operated SVN offices abides by our shared fee approach to marketing commercial real estate listings. What this means is that when one of our

advisors lists a property, if it is qualified,¹⁵ they will present it on our SVN | Live® Weekly Property Broadcast, an online event openly broadcast to the industry. Once a property is presented it is automatically promoted in social media and email campaigns. Additionally, all SVN property listings presented on the broadcast include a “shared fee” incentive. This lets the industry know that if they bring a buyer, they will receive the advertised fee upon a successful closing. By making this system the backbone of our sales practice, we have created an open play book internally for our advisors, but also externally for the industry.

At SVN offices, the shared fee policy has been an integral part of our client-first culture, creating incentivized demand for a property and, as a result, increased value.¹⁶ Additionally, through this one program, SVN is bringing transparency and a mindset for abundance to our offices, our advisors, and even to the CRE industry as a whole. Abundance and transparency create increased opportunities for everyone.



¹⁵ Over a certain dollar amount and with the owner's permission.

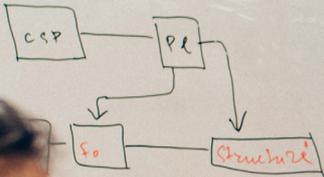
¹⁶ <https://svn.com/9-6-report/>

WHAT CAN YOU DO AS AN INDIVIDUAL TO BE MORE INCLUSIVE?

While companies need to take the lead on being more institutionally inclusive, inclusivity can start with individual actions.

The following are a few thoughts on how to be an inclusionary leader.

Goals & Achievements



$$500 + 700 + 1230$$



1. SPONSOR WOMEN AND PEOPLE OF COLOR.

It's been said that women in corporate America are over-mentored and under-sponsored. While sometimes these terms are used interchangeably, mentors and sponsors are very different. Mentors provide advice; sponsors advocate on another's behalf. However, it's clear that in CRE, women are not even necessarily being mentored. In order to find a mentor, many are required to go outside their companies to organizations like CREW Network.¹⁷ However useful mentors are, they are basically advisors and, in the case of women and people of color, often not even part of the same organization. What women need are male and female sponsors within their organization who will actively advocate on their behalf for high profile projects, leadership training and opportunities, and public speaking engagements.

One way to increase the sponsorship of underrepresented groups is to "bundle" your sponsorships and nominations. When given the opportunity to put forth a name for a promotion, leadership opportunity or a high-profile project, include multiple names. Or, if you are soliciting names, ask for multiple recommendations.

This slight change in how nominations were sought proved ground-breaking for the Nobel laureate awards in 2018. Until 2018, 97% of all Nobel laureates were men. But in 2018, two female scientists won for the first time ever, along with another woman for the Nobel Peace Prize.¹⁸

"Many things changed between 2017 and 2018, including how nominations for the prizes are solicited. Research that I presented to the Nobel committees in February 2018 suggests that diversity is more likely to result when people make what we call 'bundle decisions.' That is, when nominators submit multiple candidates each for consideration, the names of women and people of color are more likely to appear than when they submit just one candidate. Nobel nominators are now invited to nominate three people (or groups of people) deserving of the prize, instead of just one."

Iris Bohnet, Behavioral Economist, Professor, Co-director of the Women and Public Policy Program and Academic Dean at Harvard Kennedy School

Begin the path to sponsorship by putting women and non-white professionals on your team. Next, make sure your team operates transparently and with an open play book. **Do not assume everyone is privy to the unwritten rules.** Realize that anyone who is underrepresented within your team will need extra support until the group becomes both cohesive and inclusive. Finally, be an advocate for women and other underrepresented team members. Do not assume that they have anyone else sponsoring them. And when you do sponsor an employee, ensure it's based on their skills and performance, and not perceived cultural fit and potential. That alone will start to even the playing field.

¹⁷ <https://crewnetwork.org>

¹⁸ We Can't Get Rid of Bias - But We Can Disrupt it with Design, https://www.evoke.org/en/articles/March_2019/Forward/Big_Ideas/disrupting_bias_by_design/

2. AMPLIFY THE VOICES OF WOMEN AND UNDERREPRESENTED TEAM MEMBERS.

A recent study has found that high functioning teams have three characteristics: they communicate a lot, participate equally, and possess good emotion-reading skills.¹⁹ In addition, the study reported this occurred more frequently when women outnumbered men on the team.²⁰

In CRE, we probably won't find too many working teams where women outnumber the men. The more likely scenario is that if there is a woman on the team, she will be the "only." While it's a start, she will need your help to fuel that problem-solving competitive advantage. Why? Because when there is only one woman, her differences are exacerbated. In addition, she may be devalued or viewed as a token by other members. The same applies to all underrepresented groups.

If you are a team leader and have an "only" on your team, that's great because it's likely that they will have a different viewpoint from the rest of the team. However, recognize that it can be intimidating for someone to be a lone voice. Not only are they likely to have a different take on a problem, "onlys" are burdened with the perception that they speak for their entire gender and race. That's when you, as a leader or even as a supportive colleague, need to not just provide a safe environment for different opinions, but should also help amplify their voice by vocally supporting their contributions to the conversation.

On social media, make sure you are sharing information by and about women and people of color. Currently, there are many women and diverse professionals in CRE using social media to create a presence in the industry. It's easy to support them and amplify their impact by re-sharing their information to your networks.



¹⁹ <https://www.nytimes.com/2015/01/18/opinion/sunday/why-some-teams-are-smarter-than-others.html?>

²⁰ But not to the extent that there were no men on the team.

3. WHEN YOU CAN, TAKE A STAND.

In February 2018, about four months after the launch of the #MeToo movement, I found myself being asked to share my opinion on the topic by friends, colleagues and even a handful of bloggers and reporters. At first I hesitated due to subconscious fears of “you’ll never work in this industry again.” But then it hit me. **“If not me, then who; if not now, then when.”** I am the chief operating officer of an international company that is openly committed to gender equity. It is my duty, as it is for all leaders in our industry, female and male, to say something when members of our industry are being disrespected, or worse, harassed or assaulted.

While the article I wrote contains some basic parameters of how to discuss and/or avoid #MeToo situations, it really boils down to “treat everyone with respect unless they personally and individually give you a reason not to.”²¹ The emphasis is on the personal and individual, because no one should be disrespected in our industry based on their gender or ethnicity or because someone with whom they share a gender is rumored to have made a false accusation. False accusations, while highly publicized, rarely happen. The vast majority of #MeToo situations are never reported. Of the small subset that is reported, between 2-10% of claims turn out to be false or, more accurately, unverifiable.²² Just as women should not perceive all men as potential #MeToo perpetrators; men cannot assume all women are seeking to make false accusations.

I did not think that my speaking up would have much of an effect, but the emails came rolling in shortly after publication. While they included horror stories of days gone by, they also included observations of how much the industry has improved. Although, there was overwhelming acknowledgment by both men and women of how far we still have to go. The best emails received were from men in the CRE industry asking questions. The most disturbing were the present-day stories of the #MeToo backlash, in which women are being overtly excluded from events and meetings in their organizations. This is unacceptable and hopefully a brief aberration in our industry’s journey to inclusion.

One final point needs to be made: It’s not just women who need to speak out on behalf of inclusion, men can lend their voices to the cause. Back in 2015, SVN International Corp. CEO & President, Kevin Maggiacomo gave a TEDx talk about the importance of diversity to companies and our society as a whole. That talk has received over 60,000 views to date.²³

The bottom line is that if you find yourself in a position where you have a platform and can speak out on diversity and inclusion, you need to do so. You might be the spark that shines a light for others to follow.

²¹ <http://dukelong.com/putting-metoo-into-perspective-guest-post-diane-danielson/>

²² https://www.nsvrc.org/sites/default/files/2012-03/Publications_NSVRC_Overview_False-Reporting.pdf

²³ <https://youtu.be/0eL3GXJJoM>



CONCLUSION

The CRE industry is facing major demographic challenges and needs to attract more brokerage candidates in the immediate future. In order to do so, companies have an opportunity to be more diverse and inclusive, providing them with a competitive advantage going forward. But first, the CRE industry needs to recognize that diversity and inclusion are not the same thing, and that we can't have one without the other. Inclusive companies thrive on hiring practices that focus on skills and past performance, systems that are transparent, and where a mindset for abundance is the cultural norm. Those are the conditions under which underrepresented groups have an opportunity to succeed and play an integral role in propelling companies to even greater financial success.

It's time for the commercial real estate industry to focus on diversity AND inclusion.

#CRE #diversity #inclusion #ItsTime



ABOUT THE AUTHOR



Diane K. Danielson is the chief operating officer for SVN International Corp., a commercial real estate franchisor with over 200 offices and 1600 advisors and staff. She has been an advocate for diversity and inclusion throughout her 25-year career including founding a national network for professional women, authoring several business books, and researching and speaking on topics of gender equity and leadership. In 2019, Diane was awarded the CREW Boston Leadership Achievement Award for her ongoing work in this area.



@DianeDanielson



in/dianedanielson/

ABOUT SVN INTERNATIONAL CORP.

The SVN® organization is a globally recognized commercial real estate entity united by a shared vision of creating value for clients, colleagues and communities. Currently, SVN comprises over 1,600 advisors and staff working in more than 200 offices across the globe. SVN's brand pillars represent the transparency, innovation and inclusivity that enable all our advisors to collaborate effectively with the entire real estate industry on behalf of our clients. SVN's unique Shared Value Network® is just one of the many ways that SVN Advisors create outside value for all stakeholders. For more information, visit www.svn.com.

SVN INTERNATIONAL CORP.

33 ARCH STREET, 17TH FLOOR | BOSTON, MA 02110

SVN.COM | INFO@SVN.COM