

Management and sales tools for the residential real estate broker

Management Issues

Broker boosts profits by hiring office managers without real estate experience

Perplexed about how to turn around a struggling office, Todd Hetherington took a chance. He hired a retired military officer with no real estate experience to run the branch.

Hetherington figured the move was a long shot, but he gave it a try anyway — and the move changed the way he runs his 773-agent company, Century 21 New Millennium in Alexandria, VA.

Since then, Hetherington has hired a dozen more real estate outsiders to run his offices. The result has been greater profitability and accountability.

In the case of the military officer, Hetherington considered how agents would respond to a boss with no real estate experience. While agents might not have appreciated just any new manager, the retired officer's bearing commanded respect.

He started each office meeting by reciting the company's "pillars of excellence." And he focused on coaching and recruiting.

Within three years, the office had gone from a loss of \$200,000 to a profit of \$368,000, says Hetherington.

The experiment changed Hetherington's thinking about how real estate offices should be run. For years, he had followed the conventional wisdom of converting former

agents into managers, then paying them \$50,000 to \$60,000 a year.

After seeing an outsider bring energy, accountability, and professionalism to a money-losing office, Hetherington changed his approach. He began hiring outsiders only — former corporate executives, former military officers, even a former professional lacrosse player.

"The agents looked at us like we had six heads when we brought them in," Hetherington says. "Here's a corporate guy who's never sold a house.

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But, he says, agents quickly adapted to the new style of leadership, in part because it was hard to question the results. The new branch leaders tracked metrics that previously had gone ignored. Hetherington began paying the managers much more, too.

Instead of compensating managers modestly, he now pays them handsomely. Managers are paid based on the profitability of their offices, and typical salaries are \$200,000 to \$300,000.

"That's just the caliber of folks they are," Hetherington says.

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While it sounds foolish to quadruple the pay of every manager in your company, Hetherington looks at the generous compensation as an investment that has paid dividends. His company's earnings before interest, taxes, depreciation, and amortization reached \$5.3 million, which Hetherington calls high for a company the size of Century 21 New Millennium.

Support staff is essential

Managers at 13 of the company's 16 offices have no real estate background. But, Hetherington says, their lack of industry experience doesn't matter. Someone else acts as broker of record, and there are transaction coordinators and other staff members at each office who mind the details.

In one such hire this summer, Hetherington named Joan Jackwood head of Century 21 New Millennium's office in Woodbridge, VA. Her resume included a sales management position with Lucky

Brand and a Philadelphia-area bank — but no real estate experience.

Not that real estate experience disqualifies a manager from consideration. Century 21 named real estate veteran Josh Yowell to head its Lusby, MD, office this summer. But real estate experience is far from the first thing on Hetherington's priority list.

For managers without real estate experience, Hetherington provides training materials that they present during sales meetings. And they quickly grasp the details of recruiting and accountability — and of running the office like a business, which Hetherington says remains rare in the industry.

Not a bad result for a long-shot attempt to right a struggling office.

"What started as a fluke has now turned out to be wildly successful," Hetherington says.

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