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Straight Talk

By Jeffrey Lee

Transparent communications between management and employees about the economy can keep a company moving forward.

Late in 2008, after it was clear the bottom had fallen out of the market, Rick Graf, President, Pinnacle, held a town hall conference call for his company's employees.

At a time when apartment company employees might be worrying about the economy, the company, or even their jobs, Graf delivered a reassuring and encouraging message to hundreds of employees listening at their desks or gathered in conference rooms, according to Susan Weston, CAM, CAPS, Vice President, Learning & Development, Pinnacle.

Weston recounted the call: Graf acknowledged that news reports made economic conditions sound dire, but emphasized that Pinnacle was debt-free. In fact, he said, the economy presented a great opportunity for the Seattle-based company, which manages apartment communities nationwide. "He said, 'These times present an opportunity for us because we are in a position of strength.' "

But business for the company's clients would change, Graf noted in the call. Their emphasis would now be on operations, not development, so Pinnacle's employees needed to operate with "precision and extraordinary execution" to differentiate the company from competitors. Graf stressed that every employee could make a difference and said, "I need your help. I need your engagement. I need your accountability." He then took questions from around the country and "spoke to us as if everyone was a business partner."

Graf's conversation with Pinnacle employees is one example of the ways in which apartment executives are talking with their employees about the economy. In a year when challenging economic conditions could bring management changes, restructuring, mergers and layoffs, it's vital for apartment company leaders to communicate with their employees about these changes, executives said in interviews conducted in January and February. Reassurance, encouragement or simple honesty can improve morale and keep employees at the top of their game.

Keeping Engagement

Graf's supportive message was important to employees because they had read and heard about companies conducting layoffs, and many were struggling on their own in the down economy. "It's essential that your work is certain, to know that you're going to come to the office tomorrow and the door's not going to be locked," Weston said.

Such communication also leads employees to be more engaged and more likely to find satisfaction in achieving company goals, research shows. According to data from the Kingsley Associates Engagement Index, which measures the performance of real estate industry leaders, 83 percent of employees who "strongly agree" that senior executives regularly communicate the company's directions and plans are highly engaged. Only 10 percent of employees who disagree with that statement are highly engaged.

"We find that communication is very highly interrelated in how employees perceive the company as a whole," said David Smith, Vice President of Operations, Kingsley Associates. When executives communicate and "when employees perceive senior management cares about the organization, that leads to employees being more satisfied, more engaged and more likely to stay."

Furthermore, communication keeps employees from filling a void of



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Exploring Options

Sometimes layoffs are inevitable. But it doesn't hurt to explore other ways of reducing salary expenses. When her company took a hard look at 2009 budgets, Diana Pittro, Executive Vice President, RMK Management, which manages 8,000 apartments in the Chicago area, sat with a group of regional managers, property managers and maintenance supervisors to look at every job description and come up with new ideas.

Instead of cutting a position at every community, the company did not hire some open positions, choosing instead to have some employees share time between two communities. This strategy was effective with onsite traffic down and some communities just a few miles away from each other. The salary saved by cutting hours at each community allowed the company to lay off very few employees. Employees also were given the option of (or, in communities where job sharing was not possible, were asked to rotate monthly) working a four-day week, saving the company a fifth day of pay while allowing workers to keep their benefits, skip a day of daycare and have more flexibility.

information with hearsay and innuendo. "It's easy for associates to become distracted by news in the marketplace," said Sue Ansel, Chief Operating Officer, Gables, Atlanta, a private REIT that manages about 37,000 apartments nationally. "By communicating in an open and honest format, you're able to get associates focused back on the business at hand."

Close Contact

Because many apartment companies have operations spread throughout a city, region or even the country, the method of communication is particularly important. A simple e-mail memo to employees may not be enough to make everyone feel like part of the larger organization.

Dave Watkins, CAPS, Senior Director of Real Estate, Greystar, Tampa, Fla., said he tries to visit sites at least once a month to speak with managers, assistant managers, maintenance staff and others. "Personal contact is worth a hell of a lot more than sending e-mail," he said. "When you're talking face to face, [employees] know you're feeling their pain, that you're sincere in what you're doing."

When Bell Partners, a real estate investment and management company headquartered in Greensboro, N.C., announced its restructuring and name change to employees, the company made a 10-minute video presentation to all of its employees, according to Erin Ditto, Senior Vice President of Multifamily Operations, who watched with a team onsite. The company's executives spoke about economic conditions and where the company was going. "It was very upbeat, very positive. We focused on all the opportunities that downturns do bring," Ditto said.

Camden Property Trust, Houston, a public REIT operating more than 60,000 apartments, held a conference call last October with the company's 1,800 employees in conjunction with a reduction in force. Whereas an e-mail memo might be floating around the company with different people offering their interpretations and parsing the words two days later, a conference call "ensures everyone hears the same message in the same context all at once," explained Keith Oden, President. "That would cause an enormous shock if we were to send out an e-mail announcing our first layoffs. It's a style expectation."

Living With Layoffs

Many apartment companies already have experienced layoffs or management changes in 2008, and with capital markets frozen, employees in development functions were the hardest hit. While layoffs can be one of the most difficult decisions for managers to make, they also provide executives with an opportunity to provide context to the remaining employees and lay out plans for moving forward.

Oden said the purpose of the conference call after Camden's round of layoffs was to tell employees, "We understand what the issues are and frame it as: Here's how it affects the company and here's what we're doing about it." He added that management has gained credibility over the years by delivering bad news as well as good news. "Our MO for years has been, if it's great news, tell 'em. If it's bad news, tell 'em and put it in context so they know what they can do to fix it."

Transparency with financial information and the reasoning behind force reductions builds employee trust, said Tina West, Principal, Sunrise Management, San Diego, which manages 9,000 apartments in the western United States. "If you put as much information out there as possible, it reduces fears and it helps people feel like part of the solution," she said. Reassure employees about their job, but don't sugarcoat by saying "no more layoffs." "Be careful not to overpromise and underdeliver," West added.

After any layoff, it's important to restore employees' confidence in the overall health of the business, said Connie Moore, President and CEO, BRE Properties, San Francisco, a REIT that operates in the western United States. "While we might come out of this recession a bit bruised and battered, we will come through this," she told employees. "It's important that they feel good about the company and its long-term viability. We're asking our leaders to step up and understand that this may include taking on additional responsibilities as the job of BRE still has to get done."

Riverstone Residential, Dallas, a national property management firm, did not have any layoffs, but management has provided a greater degree of incentive-based executive compensation heading into 2009, said Terry Danner, CEO of Client Services. "What we've communicated with our folks at the corporate level is that while the property management industry may be somewhat recession-resistant, it is not without negative impact." The company still offered base pay increases for onsite associates, along with an

Finally, the company asked every employee to take one day of unpaid vacation. Pittro expected complaints, but employees "looked at me and said, 'That's nothing,'" she said. "As long as customer standards and service are not diminished, these are things we can do without hurting the company," Pittro explained.

incentive program, but with a reminder that everyone must work harder to succeed in these challenging times. "Our associates are smart enough to know there are a lot of people that want their job," Danner said, "and that's focusing people on working their 'A' game."

Planning Ahead

While apartment employees often are watching the same news reports and seeing the same rental patterns at their communities, providing them with context about the economy may still be helpful to explain the company's plan for the future. "You have to explain to them how the economy is affecting business and how as an organization you see that affecting your operations," said Mike Beirne, Executive Vice President, Kamson, which manages 18,000 apartments in the Northeast.

Even if employees understand how rental patterns are affecting cash flow, they may not understand the complex mechanisms of credit and debt. "There are people who don't necessarily understand the impact of capital markets on our company," said Eric Hade, General Counsel, Lane Company, Atlanta, an integrated multifamily housing company with construction, leasing, and development operations that manages 30,000 apartments nationwide.

The leadership might need to explain how an asset is typically owned, how loans and mortgages work and the mechanisms that control how much debt can be held, he said. "These high-level, asset-based decisions impact staffing needs for the community and staffing needs for the company itself."

Executives can use this context to explain the company's plans and goals moving forward. Dave Stockert, President and CEO, Post Properties, Atlanta, which owns more than 21,000 apartment homes, said he meets with employees both in the corporate office and onsite in town hall meetings, sales and service meetings, and roundtable dinners in cities where the company owns communities.

"Times like these create opportunities, particularly for companies with good, solid balance sheets, to ride out the storm and pick up the pieces when it turns," Stockert has told employees. "I've told people, 'Let's hunker down, get our ducks in a row.' It's a combination of realism and keeping people focused on the idea that the way things are today is not the way they will be in the future."

Bell Partners' Ditto said downturns also provide opportunities for executives to listen to their employees, remaining open-minded to ideas from the front lines in order to keep them engaged, rather than defeated. "When they become defeated, they can become paralyzed. That's no way to face the challenges we have today."

Instead, leaders can restore employees' confidence in themselves, Ditto said. "It's important to help them understand that these kinds of times are actually the best times to grow as a person and as a professional. It's an opportunity to try new things, learn new things, and try things differently."

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