ANALYSIS

Don't Underestimate the Value of Your Human Capital

"My office is full of people, so I must be doing something right." Not necessarily, says Glen Jaffee, vice president of AlignMark, human resource employee profilers. He says the best investment a broker/owner can make in his firm is an investment in his people, and quantity is not the only measure of success.

He adds that many brokerage CEOs do not see the real cost of keeping a low-performing or ill-fitting sales associate on their team. There is a perception that because they are not on a salary, but are independent contractors, allowing them to stay is not costly. However, there is a lost opportunity for revenue when running an office of seats filled with underperformers. AlignMark's data reflects that underperformers can take up to 80 percent of a manger's time. Managers could otherwise focus on increasing the performance of the other sales associates.

"Real estate brokerages need to run like a company, not like a service organization," says Jaffee. He says he believes there is a paradigm shift required for brokerage firms to instill a real business environment. This starts with really examining the sales associate selection process.

AlignMark believes that a majority of brokerage firms spend a majority of their time selling themselves rather than taking the time to find out whether the candidate fits their culture and then making a good selection. They lose sight of the benefit of determining whether there is a fit.

Jaffee also recommends that when recruiting your workforce you look for prior experience in selling skills. The position is a sales position, so look for core sales skills. For management, look for past experience in managing or directing others. Poor management can cause just as much havoc to a brokerage as having a bad employee. As corporate America has discovered, the biggest reason people leave their position is not for lack of compensation, but mainly for lack of managerial support and direct interest in their personal success. Managers must remain effective.

The biggest challenge AlignMark faces is leaders who don't understand that their largest investment is really in their human capital. Jaffe sited a recent Florida Association of Realtors study that reported that 36 percent of Florida Realtors grew their businesses in 2006. Of that 36 percent, over one-third reported they had a leader who made an investment in their success.

Sales professional turnover is costly. Not only is it damaging to the internal environment, it reflects poorly in the eyes of your customers. AlignMark's data indicates the cost of a bad hire is between $10,000 and $40,000 to the firm. When a leader hesitates to terminate a poorly performing or unethical sales associate, it delays the likelihood of adding a truly productive member to the team.

Jaffee advises that although adequate technology is a necessary product in the suite of benefits offered to your associates, it does not replace human capital. The distinction lies when asking who and what touches your client 100 percent of the time? Who generates 100 percent of your revenue 100 percent of the time? A robust Web site and wireless connection are valuable products but ultimately cannot close a deal. The strength of a firm is not only in the leadership, but in the quality of its people.