PARTNERS FOR CHANGE:
REAL ESTATE DEVELOPERS AND MANAGEMENT CONSULTANTS

by

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ABSTRACT

As the real estate development industry becomes increasingly complex, many developer-CEOs are hiring management consultants to advise on a wide range of strategic issues, e.g., "How to identify the 'right' market?", or "How to preserve the informality and efficiency of a small company during periods of rapid growth?" This thesis examines relationships between developers and their management consultants, focusing on process consultants, *i.e.*, those who act primarily as facilitators for their clients' decision-making.

The research includes a ten-year survey of changes in the real estate development industry, the evolution in the management consulting industry, and approaches to strategic planning. Three key questions guide the study:

1. According to academic research, what are the qualities, skills, and processes necessary for effective management consulting?
2. How do real estate executives and management consultants establish and manage their working relationships?
3. What are the key features of successful engagements between real estate executives and management consultants?

The research includes a literature review, interviews with industry leaders, and investigations at three Boston-area development firms where management consultants were hired to help with strategic planning. Data from the sites are presented as three mini-case studies.

The findings indicate a higher "value-added" accrues to the real estate developer who successfully matches the firm's needs with a consultant's skill. The thesis discusses appropriate methodologies for achieving the "best" match. It concludes with guidelines for real estate developers seeking to maximize the returns on their investment in management consultants.

ACKNOWLEDGEMENTS

I shall be telling this with a sigh
Somewhere ages and ages hence:
Two roads diverged in a wood, and I-
I took the one less traveled by,
And that has made all the difference.
(From *The Road Not Taken* by Robert Frost)

During recent weeks,help has come in many forms, from many sources. The research for this thesis would not have been possible without the cooperation of the many professionals in the real estate development and management consulting industries who let me learn from them. In particular, I am indebted to the CEOs at the three research sites, who good-naturedly played telephone tag from early morning to late night, candidly answered my probing questions about their businesses' "growing pains", and enlisted their consultants' cooperation on my behalf.

The data would never have developed into this thesis without the counsel, understanding, and push of Gloria Schuck, my trusted advisor. She taught me new approaches to problem-solving and data analysis. She helped me draw maps through mud, and build bridges to new ideas. She changed the way I think. Hers is a gift to last a lifetime. Thank you, Gloria.

During the course of the year, so many of the faculty and CRED staff showed the way. Long after the formulae have slipped from main memory, I'll remember their kindness.

Special friends and extended family helped me over rugged terrain, and cheered with me at each climb's end. The travels were easier, with all that help. Sometimes, downright fun.

The most heartfelt thanks go to my family, who love me in spite of the disruption of these past few years. Maureen, Susan and Thomas are the best children a mother could have. Thank you, Dan, my partner for a lifetime, for all that you have given. It would have been so much harder without all of you.

It is my belief that one's values, self-confidence and resilience stem from family influence in the formative years. In that regard, I was the most blessed. Thank you, Mother and Dad.

TABLE OF CONTENTS

TABLE OF CONTENTS

FIGURES

APPENDICES

> *The art of progress is to preserve order amid change and to preserve change amid order.* (Alfred Lord Whitehead)

Although it is common to debate many aspects of the real estate development business *(e.g.,* cap rates and regional economics) there is one statement on which consensus is easily reached. Most would agree that a decade of change has confounded the industry. The business is more complex as a result of both external and internal pressures, and this complexity tests the mettle of even the most savvy, deal-making executive. The challenge is to maintain stability in a rapidly-changing world and to simultaneously foster the entrepreneurism which is the heart of the industry. More and more, real estate developers are turning to management consultants for help. This thesis concerns the relationship between real estate developers and their management consultants. The focus is on process consultants, i.e., those who act primarily as facilitators for their clients' strategic decision-making process. The major questions are:

1. *According to academic research, what are the qualities, skills, and processes necessary for effective management consulting?*

2. *How do real estate executives and consultants establish and manage their working relationsips?*

3. *What are the key features of successful engagements between real estate executives and management consultants?*

Chapter 1, *A Decade of Change*, summarizes the trends in the real estate and management consulting industries during the last decade. Included, also, is a discussion of strategic planning methodologies and attitudes. The chapter concludes with a summary of consulting processes and typologies. Chapter 2, *Field Investigations*, presents a brief description of selection criteria and research methodology, and data from the three sites chosen for research. Chapter 3, *Analysis of Field Data*, evaluates the extent to which activities at the three sites are consistent with models from the academic literatures. In Chapter 4, *Final Comments*, the author shares her conclusions.

CHAPTER 1

A DECADE OF CHANGE

This chapter provides a context for this research. It contains a summary of the trends over the last ten years in (1) the real estate development business; (2) the use of strategic planning as a management tool; and (3) the management consulting field. It concludes with a description of consulting typologies and processes.

The research for this section consists of:

(a) a review of recent literature in both academic and trade journals, text books and periodicals; and

(b) interviews with practicioners in the field.

THE REAL ESTATE DEVELOPMENT BUSINESS

> *Real estate formerly had very close parallels to the parlor game of Monopoly. When a developer wanted to play, he could go to the bank and get some money, not so much for doing anything special, but merely because he wanted to play the game.*
> *(Roulac,1976)*

Roulac's analogy to board game maneuvers is not too preposterous. Risk was always part of the game, an exciting and challenging aspect which attracted the confident and zealous. However, in the last ten to fifteen years, the uncertainties and complexities have multiplied. Consequently, the "players" have had to think more strategically to keep ahead of their competitors.

Today, the game is more akin to chess than monopoly.

Prior to the 1970's, most developers were able to operate in a fairly simple environment. The steps between securing a site and occupying the building were more or less routine. If the proposed development exceeded the allowable building limits, the developer could generally obtain a rezoning of the site without significant delay to the project. The rules of the game were clear to all players.

Typically, real estate development businesses were fairly small and lean, often sole proprietorships. Firms had little or no interest is organizational structure or decision-making processes. Even the biggest development companies and the real estate departments of larger institutions had small management teams when compared with industrial companies. (Byrne and Cadman, 1974)

Since the 1970's, however, there have been major changes in how the game is played. First, a "revolution of change" swept across the real estate financial field (Downs, 1985) Second, the increase of government influence complicated and lengthened the permitting process. Other externalities which affected the real estate business include advances in construction methods and materials, the development of more sophisticated computer software applications, and changing demographics. And, thirdly, the combination of external factors forced many internal organizational changes.

Two of the most significant external factors affecting organizational development have been change in the financial marketplace and the level of government influence.

Changes in the Financial Marketplace

The reasons for the change in the financial marketplace are complex, but generally, they can be examined within three major categories: 1) shifts in expectations about future inflation among lenders and equity investors; 2) partial deregulation of the financial markets; and 3) changes in fiscal and monetary policies worldwide. (For a detailed analysis, see Downs, 1985.)

Change in the financial marketplace had two widesweeping effects across the real estate industry: more volatile interest rates and the integration of capital markets (Downs, 1985). How have those effects altered the way the industry operates?

More volatile interest rates affect the cost of capital, *i.e.*, there is more risk to borrowing money. Overall project costs fluctuate with each fractional change in interest rates, and buyers' ability to secure financing is harder to predict.

After the economic gyrations of the 1970's, lenders and investors became more savvy at shifting inflation risk to the borrower, *e.g.*, through adjustable rate mortgages.

Uncertainty about inflation is likely to continue because of greater international economic interdependence and improvements in communications and technology for funds transfers among markets (Downs, 1985). Capital markets will react quickly to changes, or threats of changes, in the economic environment. Therefore, decision-makers in the real estate --lenders, borrowers and investors-- who are inextricably linked to the capital markets, must craft strategies (*i.e.,* make incremental adjustments) to function in a volatile marketplace.

The second major effect of change in the financial marketplace, integration of capital markets in the last decade, further complicated the real estate business. For example, partial deregulation of thrifts (*e.g.,* savings banks) removed many of the legal barriers which had divided the capital markets into housing and non-residential segments (Downs, 1985). The melding of the two large segments resulted in greater competition, more innovation, and more specialization within the capital markets.

The changes in real estate capital markets will affect development firms' deal-making. For example, the growth of pension fund investment in real estate, from $20 billion in 1983 to $36.5 billion in 1986 (Real Estate Research Corporation, 1987), signals a shift toward higher equity participation by developers, more guarantees for investors, and slower projects. The entrepreneurial informality of the independent developer is not particularly well-suited to the analytic tradition of institutions where fund managers need to explain and justify their actions to a heirachy of authority. In some cases, the more formalized structure of the capital source (the institutional investor) has forced developers to adapt to more stringent approval criteria. Beyond the proforma financials, the person trying to attract investors and impress lenders will need to sell the project on the basis of market analyses, pre-construction sales, regulatory compliance and excellent design. The management challenges cross many disciplines.

Downs (1987) believes that the essence of a good developer is the combination of innovative genius and tireless persistence. He opines that those traits are far less likely to exist in a large corporation than in an independent entrepreneurial firm. On the other hand, the Real Estate Research Corporation predicts that the rest of the decade will be dominated by "the pros and big players". Whether corporate or independent, the successful development firm requires savvy management. Donald Riehl, a trustee of the Urban Land Institute and Chairman of its Research Committee, recently cautioned that "the current market allows no tolerance for poor management". One of his colleagues, Jon Reynolds, added "developers should think globally and act locally. Successful developers.....will devise management strategies that allow them to profit in tough situations". (ULI, 1987)

Increased Government Influence

Government has increased both its direct and indirect influence in the real estate business over the last decade. Examples of direct influence are:

o *More widespread imposition of environmental laws, such as the Superfund Amendments and Reauthorization Act of 1986.*

In New York, the Shore Realty Corporation was held reponsible for cleaning up hazardous wastes on land recently purchased, even though it had neither owned the property when wastes were disposed, nor caused the release of wastes. Shore knew of the contamination before purchase. The developer paid $435,000 in 1983 for 3.2 acres, spent over $100,000 for the cleanup (estimated to cost over $4 million), and tentatively agreed to relinquish the property to the state afterwards. (Salvesen, 1988)

o *Direct investment of public dollars in development.*

In San Diego, California, the city established the San Diego Centre City Development Corporation and pledged $33 million for redevelopment of 11.5 acres in a blighted area. The development was a joint effort with private developer Ernest W. Hahn, Inc. (Frieden and Sagalyn,1985)

o *Passage of strict land use controls.*

In January 1988, the Boston Redevelopment Authority passed a temporary zoning measure requiring developers with plans to construct offices in industrially-zoned parts of the city to get prior approvals from the BRA and the Board of Appeals. Previously, they had been able to construct by right. (Boston Globe, 1988)

Examples of indirect influence are:

o *The Tax Reform Act of 1986*

The act includes a provision for tax credits for developers of low-income housing. It redefines the rules for using passive losses from real estate limited partnerships for tax shelters, making investment in LP's much less attractive. (Boston GLobe,1988)

o *The increasing willingness to appoint or endorse Citizens' Advisory Committees to participate in the review of large real estate projects.*

The area residents, organized as "Citizens for a Better New England Life", were unhappy with the design for twin tower office buildings in Back Bay. The Boston Redevelopment Authority forced the developers to hire a new architect to redesign the second tower. This action occurred after approvals for the original design had been given. The redesign went through a series of citizen review meetings over the course of a year. The new building is 100,000 sq. ft. smaller in size. (Boston Globe, 1988)

These examples demonstrate that the real estate development business operates increasingly within the public domain; consequently, developers must learn new skills and devise new strategies to move projects through the permitting process.

In summary, the changes in the financial marketplace and the increased involvement of government have had profound effects on the real estate development business. The overall result is that uncertainty and risk are on the rise throughout the industry.

<u>*Organizational Changes*</u>

As the variables in the external environment multiplied during the last decade, development firms experienced growth, shifts in product lines and changes in mission. For example, the Flatley Company's product line expanded to include hotels and nursing homes, and its construction budget mushroomed from $15 million in 1980 to $100 million in 1987 and then shrunk to $50 million in 1988 (Jereski,1988). Authentic Homes, a family business since the 1940's, has operated since 1985 as a wholly-owned subsidiary of a British multinational construction firm (Weremiuk, 1988). Copley Real Estate Advisors, spun off from The New England in 1982, grew in five years to more than a sixfold increase in the original staff of 14 (Campbell, Olivier, Selvaradjah and Warren, 1987).

The external environment may be the catalyst for organizational change, but only the people inside the organization can effect the change. Therefore, top-level managers in the real estate development business must grapple with human resource and organizational structure issues which go far beyond "cutting a new deal" and their focused, project-specific decision-making. Their agendas have been broadened to include "corporate culture", "vision", "career paths", and "job satisfaction".

How has the industry responded to the external pressures and the need for organizational development? Graduate-level degrees, industry training programs, and the use of consultants are three responses. For example, the Massachusetts Institute of Technology established the

Center for Real Estate Development (CRED) in 1984 and initiated the first Master of Science in Real Estate Development program. In addition, CRED annually offers a professional development program consisting of mini-courses designed for managers in real estate development.

Several recent events are examples of the industry's efforts to improve managerial skills among real estate executives. Organizations such as the Urban Land Institute (ULI) offer professional development seminars. Since 1986, ULI has thrice offered a seminar, "Managing a Development Company". Attendance at the Spring 1988 program was 125, up about 20% from the last program in December 1987. Attendees came from various-sized development companies across the country. (ULI, 1988) Real estate trade journals are increasing their emphasis on management issues, as evidenced by *National Real Estate Investor's* introduction last year of a new column on strategic planning for development firms. Also, developers affiliated with academic institutions are getting more exposure to management issues (*e.g.*, panel discussion, "Managing for Change", featured at the 1988 spring members' meeting at CRED.)

Consultants are not new to real estate development. By and large, self-proclaimed real estate consultants are linked with the American Society of Real Estate Counselors

(ASREC) which has a thirty-year history of providing expertise to the development industry. ASREC emphasizes technical consulting, primarily in the fields of accounting, tax planning, financial analysis, appraising, market analysis, and property management. However, strategic planning, a relatively new issue for real estate development firms, is not widely offered by ASREC members. A review of ASREC's semi-annual publication, *Real Estate Issues* for the period 1979 through 1987 confirms that their focus is more project-specific than organizational in scope. There were no articles on either organizational development or human resources management. Development firms needing advice on strategic planning issues, such as organizational development and human resources management, are turning to management consulting firms and independent counselors.

In summary, the externalities which transformed real estate development from a conglomeration of project-to-project deals to a sophisticated industry also resulted in organizational disequilibrium. In its efforts to generate order out of chaos through strategic planning, the industry looked to academic institutions, industrial organizations and management consultants.

STRATEGIC PLANNING

"Would you tell me, please, which way I ought to go from here?"
"That depends a good deal on where you want to get to",said the Cat.
"I don't care much where....," said Alice.
"Then it doesn't matter which way you go," said the Cat.
".....so long as I get SOMEWHERE,"Alice added as an explanation.
"Oh, you're sure to do that,"said the Cat, "if only you walk long enough."
(L.Carroll, Alice's Adventures in Wonderland)

Strategic planning, for the purposes of this research, is defined as the process of making decisions that establish and maintain the firm's competitive advantage. Its aim is to achieve a match between the organization's internal skills, capabilities and resources on the one hand, and all of the relevant external considerations on the other. It requires the involvement and commitment of the top level management of the firm to determine appropriate goals and to develop an implementation plan for reaching the goals.

Strategic planning began at the Department of Defense in World War II, and in academia, at Harvard University in the 1960's. It reached its height of popularity in the 1970's when the popular press dubbed it the current corporate fad (Weremiuk, 1987). It later fell into disfavor among business executives who pointed to its failure to ensure survival and continued growth through the early years of this decade (James, 1984).

Recent literature confirms that strategic planning as a management methodology continues to have validity among professionals and academics. It is frequently couched in terms of organizational development and behaviorial processes. McGinnis (1984) holds that strategic planning must be an interactive process including both analytical issues (*e.g.,* quantitative analysis) and intuitive issues (*e.g.,* innovation). He argues that analytical issues impose structure on the ill-defined internal and external environments, and intuitive issues permit exploitation of insights developed by the analytical issues. Figure 1 summarizes the integration of analysis and intuition in the strategy formulation process.

FIGURE 1 INTEGRATION OF ANALYSIS AND INTUITION

ANALYSIS <----------------	---------------->INTUITION
IMPOSE STRUCTURE	CREATE OPPORTUNITIES
INTELLIGENCE: Environmental Scanning Internal Monitoring Communications	INNOVATION: Learn New Ways Be Willing to Bend
ORGANIZATIONAL BALANCE: Centralized Policy Making Decentralized Policy Making Authority	PROACTIVITY: Shape the Environment
ANALYSIS: Systematically Evaluate Problems and Develop Array of Responses	RISK TAKING: Make Subjective Decisions
Unstructured Environment ----------------	---------------->Appropriate Strategies

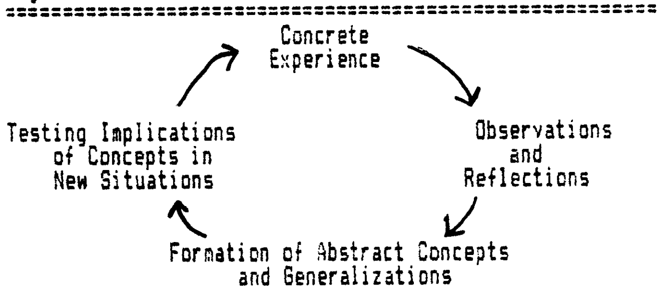
(Adapted from McGinnis, 1984, p.48)

In addition to the interest in changing how managers practice strategic planning, academics, such as Chris Argyris at Harvard and Don Schon at MIT, are developing theories about consulting. Argyris (1985) points out that both the analytical and collective wisdom approaches to strategic planning often provoke organizational and individual defensive routines which inhibit implementation of strategy. He describes defensive routines as "thoughts and actions used to protect individuals', groups' and organizations' usual ways of dealing with reality" (p.5). In other words, there are strong tendencies to preserve the status quo. The defensive routines may be productive (*e.g.*, they protect a present level of competence without inhibiting learning) or counterproductive (*e.g.*, in order to protect, they inhibit learning). Consultants need to learn and teach new competencies for dealing with the threat of change and improved organizational policies in order to alter these patterns of defensive routines. (For detailed methodologies, see Argyris, 1985.) A difficult challenge in integrated strategic planning is to prevent polarization of analytical and intuitive issues. Both are of value.

Strong and skilled leadership is needed to prevent domination by either analysis or intuition. Integrated strategic planning implies an ongoing process, organizational openness, constant questioning of underlying assumptions, and the capability to diagnose and change defensive routines.

Although the concept of strategy has a futuristic connotation, Mintzberg points out that strategies are both plans for the future and patterns from the past. He likens the manager's shaping of strategy to the potter's crafting a bowl from a lump of clay. (Mintzberg, 1987) Continued connection between thought and action is necessary to both endeavors. The notion of emerging strategies implies organizational flexibility and openness to change, and suggests that learning by experience is an ongoing process. Kolb's Experiential Learning Model (Figure 2) illustrates the connection between abstract concepts and concrete experience.

Figure 2 THE EXPERIENTIAL LEARNING MODEL



Kolb, 1973, p.28)

Kolb's model indicates that learning from experience should be an explicit objective in organizations. It concurs with the Mintzberg concept of strategy as both prospective and retrospective.

In summary, strategic planning requires a combination of quantitative and qualitative resources. It is a dynamic activity, both intuitive and analytical, which steers the organization through change toward growth. Many real estate developers in the 1980's, confounded by change on all fronts, have turned to management consultants for help with strategic decision-making.

THE MANAGEMENT CONSULTING INDUSTRY

> *Management is, in the end, the most creative of all arts -- for its medium is human talent itself.* (Robert McNamara)

The last decade witnessed explosive growth in management consulting. The volume of business of United States management consulting firms increased from an average of $1 billion in the 1960's to an estimated $7 billion worldwide in 1987. Over half the firms now practicing were founded since 1970. (Kennedy, 1987)

Some of the changes in the business resulting from the rapid growth are:

- o Clients' expectations changed. The more experienced clients are discriminating consumers who weigh the value-added potential offered by a consultant.
- o Successful specialist consultants must be seen by their clients as experts in their fields.

o Clients seldom rely on one consultant and often depend on several specialists.

o Sole practicioners (i.e., not affiliated with a consulting firm) grew in numbers 20% annually in the period 1979-1984. During the same period, large, generalist firms held steady or suffered slight declines, particularly in the economic downturn of the early 1980's. (Kelley,1986)

o Approximately 50% of consulting jobs are awarded through competitive bids. (Nees and Greiner, 1985)

o Increased competition in the industry led to more vigorous marketing by management consulting firms.

Who are these consultants? What are they selling? Are they all the same? How does a client choose the "right" consultant?

Who Are They?

Management consultants can be broadly categorized in four groups: MBA's who join large consulting firms upon graduation, mid-career professionals working in larger consulting companies, retirees between the ages of 45 and 70, and part-time consultants (often academicians). Between 20-25% of MBA graduates from leading schools choose consulting as their first job. 31% of the MBA graduates from Harvard in 1985 became consultants. (Kelley 1986)

Consultants work in large, multidisciplinary, national consulting firms, such as McKinsey, Arthur D. Little and Booz Allen & Hamilton; smaller, regional or local firms staffed by specialists; or as independent specialists. The large firms provide a wide range of services, prefer large projects with big clients, and seldom get involved in implementing their recommendations. Work is often performed by less experienced MBA's who pick up the project once the engagement has been secured by a senior partner. (Greiner and Metzger, 1983). At Arthur D. Little Company, the policy is to prepare new consultants (generally recent MBA's) through a program of formal training and mentoring with a senior consultants on a variety of projects. Other consultants come to the firm after many years in industry. (Feeley, 1988)

The large firm category includes the big eight accounting firms which expanded into management consulting in the last decade and depended on it in 1987 for an estimated 21% of their total revenues (Kennedy, 1987). According to a senior executive at Laventhol & Horwath, most of their management consulting clients are large development companies or corporate real estate divisions, often referred by other divisions of L&H. A heated debate ensues in the industry, questioning whether Certified Public Accounting firms are guilty of conflict of interest when they serve as management consultants to their audit clients. The accounting firms argue that their consulting units are organized separately from the audit function, and they also emphasize their high professional standards. (Greiner and Metzger, 1983)

Some of the smaller firms were founded by consultants after several years working for one of the national or multi-national firms. For example, in 1977 Howard P. Smith and Paul L. Donahue left Rohrer, Hibler & Replogle, Inc. (after 18 and 4 years of service, respectively) to establish Smith & Donahue, Inc., an organizational consulting firm. Both men sought more professional independence and equanimity than they experienced at their former company. (Donahue, 1988) In their ten years, Smith & Donahue has grown to a total of six professionals, including three principals, who are all organization behavioral specialists. Their clients include real estate development companies in the Boston and Washington, D.C. metropolitan areas. They plan to to hire a person with a management background to broaden the firm's skill base.

Also in the small firm category are academics who work as management consultants in all industries, including real estate development. Their consulting work is closely linked to their research; the engagement provides field data, food for thought to build models and theory. Often an academic selects clients based on the potential for developing the consultant's "intellectual capital". The academics generally provide more personal consultative services and employ innovative, "cutting-edge" methodologies. Institutions of higher learning, recognizing the research value of the engagements, encourage their faculty's consulting activity.

Relative to the established professions of medicine, law and acccounting, management consulting is in its emergent stage. As a profession, it lacks an established body of knowledge, educational requirements, testing procedures, an accepted accrediting body, and regulatory rules for governing conduct. (Greiner and Metzger, 1983) Organizations of management consultants exist, and they are working toward standardization and certification in the industry. In 1987, the Institute of Management Consultants (IMC), the Association of Management Consultants, and the Society of Professional Management Consultants, Inc., merged under the banner of the IMC. Their combined membership is 2000 (Baron, 1988). It is expected to take several more decades before there is a single, universally accepted certification process (similar to the CPA designation) for management consultants. (Greiner and Metzger, 1983)

What Are They Selling?

Management consulting spreads across a spectrum of industries and services. One industry watchdog reported that the five most popular services offered by management consultants today are:

1. Strategic business planning
2. Organizational planning and structure
3. Marketing strategy
4. Management development
5. General Management

(Kennedy, 1987)

Growth has brought change in operations. A senior executive of a major think-tank consulting firm commented,

> *Successful consultants today have to be concerned with implementation. Gone are the days of delivering the report and considering the job done. We need to get the client to buy in to the program.*
> (Feeley,1988)

Implementation of recommendations from the initial engagement is often the basis for a follow-up proposal and additional work with the client.

Generally, the large, multidisciplinary firms provide an array of services to clients concentrated in *Fortune 500* companies and large government agencies. The CPA firms emphasize quantitative types of consulting, such as information systems and financial analysis of investments. There are functionally-specialized firms, *e.g.,* Alexander

Proudfoot Company in manufacturing, which concentrate on a limited range of services. Industry specialists have a reputation for knowledge of the complex issues facing a particular industry, *e.g.,* Theodore Barry & Associates in utilities. The specialties of small firms and sole practicioners vary widely. Although the range of services varies firm-by-firm, management consultants across the spectrum of the industry often market strategic planning as one of their specialties.

How Does A Client Find the "Right" Consultant?

The president of one well-established management consulting firm commented:

> *The time is long gone when we could ignore competition. The client doesn't come to us as easily as before. We have almost entered the Procter & Gamble era for selling our services.*
> (Nees and Greiner, 1985)

Marketing is stressed in the consulting industry. For example, educational materials used by one of the large consulting firms emphasize effective negotiating. The consultants are trained to lead the client through the stages of decision-making, hopefully toward selection of their firm. They are coached on how to influence the decision by restating the client's expressed needs in terms of the consultant's ability to provide service. The training materials caution against letting influence become manipulation. However, the prospective client, with little or no skill/experience in selecting management consultants, may be at a disadvantage when confronted by a marketing-trained negotiator/consultant.

Four years of research studies in the management consulting industry offer guidelines for clients seeking the best match between their needs and a consultant's service (Nees and Greiner, 1985):

1. Be clear about the problem to be investigated, i.e. avoid broad generalizations such as "We have an information technology problem." The client should know if he wants help designing a new information system or help assessing the future implications of information technology on the firm.

2. Be aware of your company's working style so you can anticipate the consultant's affect on it and adjust accordingly. For example, top management which makes all decisions behind closed doors, may have difficulty working with an organizational development consultant whose methodologies are not understood beforehand.

3. Be familiar with various types of consulting firms and focus your search on firms which fit your needs. For example, are you looking for a consultant who specializes in statistical analysis, modeling of key variables, problem identification or another approach? Ask probing interview questions to learn how the consultant operates.

4. Use a pluralistic approach in hiring management consultants. For example, different consultants can be hired for various aspects of a major project.

5. Opt for collective decision-making when selecting a management consultant. By engaging senior staff in the selection process, the executive is more likely to

make a good match.

To what extent do clients adhere to these guidelines? Holtz (1986) suggests that clients' two primary concerns in consultant selection are: 1) how will the consultant's work affect my organization, and 2) how will the decision to hire this consultant affect my personal welfare? In other words, the client has both general business and personal concerns which influence the consultant selection. Greiner and Metzger (1983) suggest that political factors may influence the decision to hire a consultant, e.g., the desire to obtain confirmation for a tentative diagnosis already made, or to undermine opposition within executive ranks by using a consultant as the main proponent for change.

Training materials used by one of the largest management consulting firms teach that clients' decision criteria are generally a two-step process. First, the client (either consciously or unconsciously) identifies selection criteria and ranks them in importance. For example, for advice in competitive strategy, industry experience may be a more critical criterion than having a local office. Second, the client uses the criteria to ascertain how well a potential consultant's service matches his/her need.

The risks in selecting a consultant are high because the client can judge only in retrospect whether the investment was sound. The potential for reward is proportionate to the risk, however; the right consultant can save a firm endless hours of grief and a lot of money. Conversely, the wrong consultant can prolong and confound problems and waste the firm's money. The client, the real estate developer, is ultimately responsible for the selection.

CONSULTING TYPOLOGIES AND PROCESSES

I keep six honest serving men
(They taught me all I knew):
Their names are What and Why and When
and How and Where and Who.
(Rudyard Kipling)

Researchers who study the management consulting industry categorize consultants for comparative purposes. Greiner and Nees (1985) group consultants into five categories: Mental Adventurers, Strategic Navigators, Management Physicians, System Architects and Friendly Co-Pilots (See Figure 3.)

Consultants in each category are defined according to their characteristics in various categories. For example, mental adventurers (such as Arthur D. Little) have a scientific knowlege base, are oriented as researchers, often use a statistical analytical approach, and provide creative options in the expectation that their clients will make more knowledgeable decisions. By contrast, management physicians (such as McKinsey & Company) are characteristically knowledgeable in general management, are diagnosticians, approach the project with an eye toward problem identification, focus their recommendations on the organization and its leadership, and expect improved organizational effectiveness as the outcome.

Figure 3: CHARACTERISTICS OF MANAGEMENT CONSULTING FIRMS

	Mental Adventurer	Strategic Navigator	Management Physician	System Architect	Friendly Co-Pilot
KNOWLEDGE BASE	Science	Economics	General Management	Technology	Business Experience
ROLE TOWARD CLIENT	Researcher	Planner	Diagnostician	Designer	Advisor
APPROACH TO CLIENT	Statistical Analysis	Model Key Variables	Identify Problems	Implement Solutions	Sounding Board for CEO
EXPECTED OUTCOMES FOR CLIENT	More Knowledgeable Decisions	More Profitable Market Niche	Improved Organizational Effectiveness	Greater Efficiency	Better CEO Judgment

(Nees and Greiner, 1983)

Greiner and Metzger (1983) contrast process and content consultants along similar lines. Process consultants, the "psychiatrists" of the consulting trade, ask lots of questions, give few specific answers, takes client through self-examination and self-healing process. They are criticized by content consultants who say process consultants abdicate responsibility to their clients. The content consultants typically take direct action to verify causes of a problem, write a report with specific recommendations, believe they are better-equipped as outsiders to see problems clearly, and use their technical knowledge to formulate solutions. Critics call them overbearing and isolated from their clients.

Consultants are also described as being diagnostic or implementation-oriented; the former focuses on identification of causes and recommendations for corrective action, and the latter tends to be "hands-on" specialists.

In fact, most consultants are seldom strictly one type or another. Their approaches and methods often cross over categorical lines.

There are two basic approaches to analyzing strategic planning issues: the inside/out, which centers around the idea that full understanding of internal strengths and weaknesses can be used to achieve synergy with external forces. The outside/in approach places greater emphasis on the external environment's effects on the organization.

Some of the better-known outside/in models and the firms which pioneered them are the portfolio approach (Boston Consulting Group,Inc.), the experience/curve model (Arthur D. Little), and the strategic business unit (McKinsey & Company). Variations on these models have been used (with mixed results) by some of the largest corporations in the world. An article entitled "Playing by the Rules of the Corporate Strategy Game" (*Fortune*,

1979) reviewed many outside/in models and described the failures of companies which had unsuccessfully employed them in strategic planning.

Inside/out frameworks include the gap approach model, developed by the Stanford Research Institute. It compares a firm's projected earnings at a future point and an earnings figure extrapolated from the firm's historical earnings trend. It then develops an action plan to close the gap. The distinctive competence model, pioneered at the Harvard Business School, requires the consultant to identify the client's strengths and management values to zero in on the client's distinctive competence, *i.e.,* what can this firm do better than any other?

The "group process" approach is heavily dependent upon client involvement. With the consultant acting primarily as a facilitator, managers discuss and confront strategic issues. For example, the Mason-Mitroff dialectic model includes steps for uncovering management assumptions and then creating alternative strategies which are argued within the total management group. Questionnaires are used to gather data on assumptions and opinions of senior managers. The consultant manages the argumentative process toward consensus on the real issues and alternative action plans. (Greiner and Metzger, 1983)

Schein identifies three models of consultation:

1. *Purchase of Expertise Model* - The most prevalent model, *e.g.,*a manager defines a need and concludes that the organization has neither time nor resources to fulfill the need.

2. *Doctor-Patient Model* - A manager detects symptoms of a problem, *e.g.,* dropping sales, and calls the consultant to diagnose the problem.

3. *Process Consultation Model* - The manager defines a need for improvement; the consultant engages the client in activities to help perceive, understand and act upon process events in the organization in order to improve the situation as defined by the client.

(Schein, 1988, p.5)

Process consultation contrasts with the other models in several respects. In the standard models, the consultant is the expert, the consummate problem-solver. In process consultation, the starting premise is that with help the organization will eventually know best how to solve its problems, but it may not know how to use its resources effectively. The expertise of the process consultant is the ability to help the organization to solve its own problems through raising awareness and teaching problem-solving skills. The consultant is the facilitator.

In process consultation, the consultant leads the client (top management) through a series of retreats and planning sessions to develop its own action plan. The agenda for the retreat is developed from data the consultant gathers within the organiation.

Another approach to consulting is to view it as a heirarchy of objectives which are achieved to varying degrees by different types of consultants (Figure 4). The objectives are arranged in pyramidal form. Traditional purposes of consulting are listed 1 through 5, additional goals, 6 through 8.

Figure 4 A HEIRARCHY OF CONSULTING PURPOSES

8. Improve Organizational Effectiveness
7. Facilitate Client Learning
6. Build Consensus and Commitment
5. Assist Implementation
4. Provide Recommendations
3. Conduct Diagnosis That May Redefine Problem
2. Provide Solution to a Given Problem
1. Provide Requested Information

Turner (1982, p. 122)

Movement up the pyramid toward loftier purposes requires a higher degree of process consultation skills and management of the client-consultant relationship by both parties. At the higher objectives, consultants require evidence of the client's readiness and commitment to change, and broader access to the organization. The engagement becomes increasingly collaborative from objectives 1 through 8. Achieving the highest purposes entails strong client involvement (and commitment of time, personal energy, and money) and more emphasis on process.

The relationship between the client and the consultant begins with the decision to engage a consultant and continues until a contractual termination point, or until ended by one or the other. Some firms maintain an "on call" relationship with a consultant. Figure 5 illustrates the stages in a typical, singular engagement between a top-level manager-client and a consultant.

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Figure 5               THE CLIENT/CONSULTANT RELATIONSHIP
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STEP 1   ----------------->RECOGNITION OF NEED
                           External Environment?
                           Organizational Disequilibrium?

STEP 2   ----------------->ENGAGEMENT DECISION
                           Skills/Needs Match?
                           Personal References?
                           Client Experience?
                           Other Criteria?

STEP 3   ----------------->ENGAGEMENT ACTIVITY
                           Product-oriented?
                           Process-oriented?

STEP 4   ----------------->ENGAGEMENT EVALUATION
                           More profitability?
                           Improved process?
                           Other Criteria?
========================================================
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The client controls the relationship and has the opportunity to maximize the return on the dollars invested in consulting services. In the following discussion of the model, consider that the client is the CEO of a real estate development firm.

A "problem" is usually the catalyst for Step #1. The problem may be rooted in the external environment, *e.g.*, a new requirement for detailed and costly geotechnical studies as a prerequisite for obtaining a building permit; or, it might be defined within the firm, *e.g.*, three of the firm's project managers resigning to take positions at competing firms. It is important for the client to carefully examine and define the "problem". Often, the originally defined "problem" is merely a symptom of a much larger issue. In the previous example, the exodus of three project managers could be symptomatic of a larger organizational problem, *e.g.,* job dissatisfaction or inappropriate recruitment and selection practices.

The client's actions during Step #2, Engagement Decision, result in either the "right" or "wrong" consultant being selected. Just as a manager is unlikely to hire an electrical engineer to complete the geotechnical studies, so, too, should a CEO think twice about hiring a CPA to consult on a human-resource, communication problem. Often CEOs rely on their colleagues' recommendations when selecting a consultant. Although personal references are an important criterion in the selection process, the emphasis should be on matching a consultant's skills with the firm's needs. Accurate identification of those needs requires the participation of several managers in the firm, particularly when the scope of problem is more organizational than project-specific.

Who should be involved in the engagement activities? The client needs to ensure that the scope of Step #3, Engagement Activities, is appropriate to solving the organization's problem. The organizational involvement will be much narrower when the consultant's efforts are oriented toward product delivery (*e.g.*, project-specific geotechnical studies) than when they are process-oriented (*e.g.*, toward higher levels of job satisfaction.)

Knowing one's expectations facilitates Step #4, Evaluation of Engagement. Evaluation is tied to the recognition of need which prompted the engagement. Although the final and most thorough evaluation of the engagement occurs *ex post facto*, consultants and clients can agree to conduct periodic evaluations as part of Step #3, Engagement Activities. The absence of evaluation seriously limits the learning opportunities for both client and consultant.

What does the model illustrate? It shows that the client can make implicit or explicit choices at several steps during an engagement with the consultant. The implication is that the client can and should thoughtfully and explicitly manage the relationship with the consultant to facilitate the growth of the organization and maximize returns on the firm's investment in the consultant.

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CHAPTER 2

FIELD INVESTIGATIONS

Chapter 2 focuses on the field work component of the research. The Client/Consultant Relationship Model described in Chapter 1 is the framework for presentation of data from three sites.

SELECTION of RESEARCH SITES

The following attributes are common to the three sites:

- The client is active in real estate development as a principal in the firm.
- The client firm has been in business for at least five years.
- The client has engaged a management consultant for help with a strategic planning issue within the last three years.
- The consultant is either affiliated with an established management consulting firm or is an academic engaged in independent consulting.
- The consultant and client agreed to separate interviews with the researcher.
- The client's problem was related to organizational growth.
- All sites are in the Boston metropolitan area.
- All the consultants hold Ph.D's.

The sites differ in the following respects:

- o They range in staff size from 14 to 120.
- o The range of asset value owned, managed or under construction (1980 through June 1988) is $55 million to $10 billion.
- o The CEO's at two sites have MBA's; at the third, the CEO has a Master of Architecture degree.

METHODOLOGY

Face-to-face interviews were conducted at all sites with the CEO of the firm. Two of the consultants were interviewed in person; the third, by telephone. Additional face-to-face interviews were conducted with three experts in the management consulting field.

The same series of questions were posed to clients and consultants. Follow-up questions necessary for clarification or elaboration varied slightly from site to site. Interview transcripts were reviewed by clients and consultants to ensure data accuracy and completeness. Copies of written documentation from the engagement were gathered whenever possible; however, in no case was data requested or provided from the consultant without the consent of the client.

The scope of the field work did not include interviews with personnel other than the CEO at each firm.

There are two parties (one client, one consultant) who asked that their real names be disguised. In each case, an "*" follows the pseudonym the first time it is used.

SITE #1: MILESTONE PROPERTIES CORPORATION

Client:

Barry D. Libert, President of Milestone Properties Corporation, founded it in 1980. A multifaceted development and investment organization, Milestone has more than 1350 residential units and nearly 160,000 s.f. of commercial space in four New England metropolitan markets. Recently, Milestone sold half of its asset base, subcontracted its property management, and reduced employment from 95 to 14 employees.

Libert holds an MBA from Columbia University (1977) and a BA from Tufts University (1975). Prior to entering real estate, he was with McKinsey & Company as a management consultant and with Richardson-Vicks as a product manager.

Consultant:

Timothy Leland* is a management consultant at The Boston Consulting Group, Inc. (BCG) and served as Team Leader for the Milestone engagement. He holds a Ph.D in economics from the University of Pennsylvania and came to BCG three years ago after several years on the faculty at Tufts and Boston Universities. Most of his work is with clients in the health care and real estate fields.

The Boston Consulting Group, Inc. maintains offices worldwide. It achieved a dominant position in the 1970's with its innovative "growth-share matrix" model. (Kelley, 1986)

Recognition of Need

> *In the last analysis, growth depends on the commitment, consistency and creativity of the CEO himself. The most powerful innovations often lie in the application of new ideas, rather in their origination.*
> (Philip Evans, V.P., BCG, 1987)

Libert used to work side-by-side with his brother, a graduate of Amherst College and Harvard Business School, who was a management consultant at BCG before going into real estate at Milestone in 1984. When he left after three years, Libert was affected. He explained:

> *My brother and I had different ways of looking at things. We played off each other. He took the macro approach and I'm more of a micro person. When we broke up the relationship, I lost that balance. It was more difficult to make decisions about where the company was going.*

In the face of a softening market, Libert focused on the "organizational strengths" and corporate culture at Milestone. By organizational strengths, he meant the competitive position of Milestone relative to other real estate organizations. He wanted to consider "themes and options" for the company. Milestone was then a multi-faceted firm which acquired, constructed and managed properties. He called it a "conflicted culture" and explained:

> *The "blue collar" professionals in the construction and property management divisions and "white collar" professionals in the investment division didn't want to mix. There was friction. Although I tried to get everybody to work well together, it did not seem to work.*

Frustrated in June 1987, he decided to get outside advice.

Engagement Decision

Libert considers McKinsey and BCG to be "two of the best companies around.....not just in the consulting business....in *any* business". Therefore, the choice of consultant was easy for him. BCG was chosen because it has a greater presence in Boston than McKinsey. Were any other consultants considered? "No."

Milestone had used BCG before. Leland recalled getting this assignment:

> *With Milestone and BCG, it's hard to know where one engagement ends and another begins. For each issue, though, BCG lets the client define where he wants to go in the engagement. In 1987, Milestone was starting to feel increased competition. Deals were few and further between and harder to make. They wanted to know what direction they should go in. One of our V.P.'s made the agreement and then I moved in as team leader.*

Libert said there was no written agreement because he and the partners at BCG had a mutual understanding of the consulting profession, its mission, likely results, and attendant costs. Libert:

> *It was to be an interactive process, not a highly-structured study....not a written report, perhaps no documentation. They would meet with us regularly to develop themes and options.*

Engagement Activities

Libert gave Leland full access to the organization. They met regularly. Libert regretted not having more time to spend on the process. The meetings were generally one-on-one. Other managers did not regularly attend.

Leland described his approach:

> *At BCG the approach is different than it was a decade ago. There is still a "bag of tricks", so to speak, to analyze problems,*

but there is an additional emphasis on helping the client understand exactly what business he's in, and to help him make judgments accordingly. Clients demand different relationships with consultants these days.....far beyond external studies. BCG wants the client to decide what action to take; it wouldn't be productive for us to make decisions and then for the client to ignore them.

At those meetings, Leland delivered and sought reactions to data about Milestone and their competitors. The internal data, collected from various personnel to identify the firm's profit centers, emphasized financial analysis. Were employees resistant about sharing data? Leland:

They were extremely cooperative. Often I'd be greeted by them telling me "Oh, yes, Libert said you'd be coming by". The atmosphere at Milestone is fairly informal. As I got data, I'd share it with Libert, so he participated in shaping the engagement, in deciding where we'd go next.

Leland used data gathered externally to determine how Milestone stacked up against its competition in terms variables such as capital, profitability, and size. When options were discussed, Leland asked, metaphorically, if Libert wanted to be more like an insurance company (which functions on volume and gets a small level of value added over a long-term commitment), or an investment banker (which functions with smaller volume, shorter-term, higher value-added activities). Libert opted for investment banking. The implication of the decision was to reduce staff.

The engagement lasted through the summer of 1987. Leland said BCG's report to Libert presented findings from the data gathered both outside and inside the firm: where Milestone makes its money, which are the most sensitive cost areas and which of their various businesses (property management, construction, deal-making) they wanted to be in.

Evaluation of Engagement

Libert considered his overall relationship with the consultant, and ranked it a 7 to 8 on a 10-point scale, with 10 being a highly successful engagement. He said it would be a 10 if he had the capital to use BCG more frequently because they provide skills Milestone cannot maintain on its own. He was satisfied with the outcome of the summer 1987 engagement, *i.e.*, the strategic decisions he subsequently made. "I wish I'd made them earlier." The easiest part of the engagement was the communication with BCG. He explained:

> *This is not alien to us. We speak their language. The focus is more on process than product. We're probably one of their favorite clients....we're disciplined and the interaction comes easy, and we know real estate is basically no different than any other kind of firm.*

What was difficult? Libert did not hesitate: "the conclusion." After having laid out ambitious growth plans six months earlier, he said that there were "bruised egos" when he made the decision to shrink the company. He has no doubt that it was the right decision, however. Did BCG help with the implementation? "No, I did that myself."

Leland also ranked the engagement above average and gave it a 7. Why not higher? He explained:

> *It's a question of how high is the mountain, how great is the challenge. There was a high level of cooperation at Milestone, ease in data-gathering, making it a relatively hassle-free engagement. At Milestone, if Libert wants it moved, it gets moved. Thus, the overall level of satisfaction for the consultant is lower than when he has to overcome greater obstacles to complete the engagement.*

Leland deemed the engagement highly successful in terms of the level of implementation of recommendations and the value added to the Milestone. How is value defined? Leland:

> *At BCG, it includes accounting value, i.e. profitability of the client's firm, and other values defined by the client. These other values may include effects on people in the organization. For example, the client may caution a consultant not to "explode my organization." I've never seen a client who is without an aspect of loyalty to the people who work for him. We were successful at Milestone because we helped Libert make decisions. We created an atmosphere and provided the data to allow him to do that. We added value.*

In retrospect Leland would have spent more time in the beginning of the engagement with Libert to clarify what he was willing to do with the organization, *i.e.*, "how far he was willing to go with the company?" Leland believes it would have been better to talk more generally about issues with Libert and the vice presidents to scope out possibilities for organizational change.

SITE #2: COPLEY REAL ESTATE ADVISORS

Client:

Joseph W. O'Connor, CEO, Copley Real Estate Advisors, ("Copley"), formerly a vice president in charge of mortgage and real estate at New England Life Insurance Company, has been president of Copley (an affiliate of The New England), since he formed it in 1982. He holds a B.A. in economics from the College of the Holy Cross (1967) and an M.B.A. from Harvard Business School (1972).

Copley's unique investment strategy emphasizes developmental joint-venturing. The firm consists of 120 people and manages real estate assets whose market value exceeds $10 billion.

Consultant:

Neal Thornberry, president of Impact Strategies, a consulting firm specializing in organizational development, is also an associate professor in the department of management and organizational behavior at Babson College in Wellesley, Massachusetts. He has a bachelor degree from Case Western University, and master and doctorate degrees in organizational psychology from Bowling Green State University.

Thornberry prefers working with entrepreneurial companies at a crossroads stage of growth. His specialty is management training programs; he enjoys helping individual contributors become managers.

Recognition of Need

> *When you look at what makes Copley tick, it is a highly focused philosophy, one that we apply consistently. The philosophy stresses a proven investment strategy, people, relationships, and knowing what we do well. Perhaps most importantly, we stress people.*
> (O'Connor,1987)

In the spring of 1987, O'Connor agreed to having a team of graduate students from the MIT Center for Real Estate Development, as part of their work for a course entitled "Managing the Development Effort", research and prepare a case study on Copley Real Estate Advisors. The case highlighted some employee dissatisfaction and uneasiness. On the one hand, it portrayed O'Connor as extremely intelligent, highly motivated, and fun-loving--the consummate deal maker-- revered by his staff. On the other hand, the data also indicated a rising level of frustration among employees striving to emulate a leader from whom they felt increasingly distanced. The implication was that O'Connor and his senior staff needed to spend more time managing the organization.

Introspection about the firm is not foreign to Copley's senior staff. In the past, O'Connor prepared agendas and organized two retreats for discussions of corporate growth issues. 3 1/2 years ago the group of 10 gathered to assess Copley's performance as a young company. Two years later, they focused on the implications of Copley's growth. There was consensus that bureaucracy should be shunned and informality nurtured.

The MIT case study was completed as O'Connor was making plans for the third Copley retreat. (See Appendix A: Preliminary Agenda Memorandum.)

I knew generally what the agenda items should be. But the MIT study really brought them home to me. The big issue was how do we adapt the company to the growth in size.

Engagement Decision

In the past, retreat discussions were facilitated by someone outside the firm. Disappointed by the ineffectiveness of the first retreat facilitator (an inhouse consultant at The New England), O'Connor engaged an independent consultant to facilitate the second retreat in 1985. He recalled that experience:

> *He was terrible! He'd begin to give us his opinions instead of just facilitating. A couple of times I had to say to him, "Hey, listen, when we want your opinions, we'll ask for them. Your job is to be a facilitator. We're interested in our opinions here, not yours."*

O'Connor asked his senior staff to submit names of prospective facilitators for the 1987 two-day retreat, booked for Nantucket. Thornberry remembers the call:

> *I was told O'Connor was looking for a facilitator, someone to come in and run a meeting on Nantucket. My first reaction was negative; it didn't sound like a good idea.....too high risk for a consultant, going in without knowing the players. Too many hidden agendas. I was prepared to talk myself out of a job. I told O'Connor I'd only do the work if I first had access to the organization, to interview and collect data. We talked. I described the research-intervention-action model I use.* (See Appendix B: Diagrammatic Model for Action Research.) *He agreed the approach made sense. I could see they were an action-oriented company; they wanted to get something done.*

Thornberry, atypically cavalier with O'Connor in specifying his requirements for the data collection, expected resistance. Once convinced that the consultant had experience in facilitating, however, O'Connor agreed to the methodology and gave Thornberry full access to the organization.

> *I talked with a few consultants. I didn't want another one like we had at the last retreat! I liked Thornberry. He was easy-going, but very focused. He was casual and he'd done this kind of thing before. I wanted somebody who knew about organizational issues. And we wanted input from all people in the organization. I told him what was on the agenda...the issues were an outgrowth of the MIT case.....How do we manage the growth of the company? What changes should we make? How do people move up in the company? How can we put jobs in stages?*
>
> *....I told him I wanted a facilitator and an umpire. That was the most important ground rule. I liked his idea about data gathering. He had full access to the organization. I stayed out of it. It was important that everyone in the company knew they had input. And I wanted an action plan; that was a goal.*

O'Connor described the agreement as "very informal". Thornberry used a letter of agreement for all his engagements.

> *I write out what I propose to do, the client endorses it and that's it. I agreed to collect data, sort it, give it back, facilitate a discussion toward action recommendations. I require access to the organization, the support and involvement of top level executives and involvement in the formulation of solution outcomes. I hate meetings where people sit around and talk*

> *about what's wrong with no action plan coming out of the meeting. Implementation is very important to me.*

Engagement Activities

Thornberry's initial impression was that O'Connor felt the pressure and dissatisfaction in his company and that he was really concerned about losing staff. What were the staff's concerns?

Using his fairly standardized format, Thornberry interviewed, one-on-one, a cross-section of the firm from top-level to support employees.

> *It was a job satisfaction/needs analysis in which I asked people to describe the working climate at Copley by using metaphors, e.g., "Working here is like working at........"* (See Appendix C: Thornberry Data, Representative Comments.)

> *Once I assured them of complete confidentiality, they talked quite openly. My rule is to report only data results, never individual sources. That's critical to getting good data in this process.*

Data collection was completed within two weeks. Then Thornberry formatted it into areas of concern for the retreat. The critical issues were career paths, compensation, and organizational structure. O'Connor was briefed on the data and then issued a final retreat memorandum to senior staff. (See Appendix D.) The group of 17 flew to Nantucket on Wednesday, June 10th.

There, Thornberry asked them to form three groups of people with various levels of authority and experience.

Each group was given the list of concerns prepared from the cross-sectional data and instructed to prioritize them for an action plan. Thornberry:

> *I floated around serving as a facilitator, but they didn't need much prodding...these were not shy people! O'Connor doesn't mean to, but he intimidates them. He's very bright and he wants action. Like so many entrepreneurs at this stage of growth, he needs to let go, but he's finding it very difficult. It's a control issue.*

O'Connor recalled the group discussions:

> *We reviewed the list of issues, 7 or 8, I think, and we had to prioritize them. We talked a lot about which were the most important for everybody in the company and decided to focus on employee satisfaction, employee motivation and employee career development. Everybody had an equal voice. At first the newer people who had never been on retreat held back a little, but soon enough they opened up.*

From time to time, Thornberry would display one of the metaphors from the data, *e.g.*, Copley is like "a three ring circus - only quality performers need apply", and ask for comments from the group. Thornberry:

> *Usually, the person who had given me that particular data would close right up, not even comment on it, let alone own up to having said it. That same person might have shrugged off my pledge of confidence during the data-gathering, saying "Oh, I can tell O'Connor anything...we're very open at Copley".*

Thornberry recalled that the participants chose the issues of career development and management skills for action plans. Working in one group, they targeted the following areas for action plans: job descriptions, career paths, differentiation among four levels of authority. His instructions to them were straightforward:

> *I told them it was their job to create the action plans. There was a need to give employees ground rules. The data showed that there is a growing level of politics in the company. It used to be that if you wanted something, you could holler across the room to get O'Conner. You can't do that anymore, so if you don't have visibility, you've got to find another way to get to him. That's where the politics come in.so people have to find some other way to get his attention.*

There was a cooperative spirit throughout, but Thornberry's difficulty as a facilitator was ensuring that O'Connor did not dominate. Thornberry said: "O'Conner speaks and everyone else stops and listens."

How did the session end? Although originally scheduled to be confined for two full days, the group, led by O'Connor, opted to wind up their work early. As Thornberry described:

> *Two thirds through the second day, it was clear they all wanted to play. They play as hard as they work. Joe said, "OK, this is what I think we ought to do..." and then he summarized the discussions....and we wound up the proceedings. Then it was play time.*

Evaluation of Engagement

Both O'Connor and Thornberry were satisfied with the process and results of the retreat, though not equally. O'Connor ranked it most favorably, 9.5 to 10, on a scale of 1 to 10. On what basis did O'Connor measure success?

> *By what's changed! There's a change of attitude in house, an awareness of the need to be managers. We came out of there with action plans.* (Exhibit E) *We set up committees to work on the issues that were raised. There are small groups with no senior people, representing a cross-section of the company. I get feedback each week. I tell my senior people we have to be better managers and their compensation is tied to that. It's not easy, but it's fun, too.*

O'Connor cited specific changes generated by the action plans and committee work, *e.g.*, the institution of flex time and establishment of a new personnel committee which provides feedback for the executive committee's weekly meetings. He uses the "constant dialogue" among all staff levels to set the agenda for the Fall 1988 retreat: decision-making authority and responsibility. Given a chance to revisit the 1987 retreat, would he do anything differently? No, he believes it worked well. He said that more data-gathering would be done for the next retreat. With a facilitator? No, he believes they can do that themselves, based on the new scope of dialogue in the company.

When asked to recall the easiest and most difficult aspects of the Thornberry engagement, O'Connor tilted his head, chuckled heartily and retorted:

> *Easy? None of it was easy! It's hard work, physically draining, being on retreat. The hardest part was arranging it all, getting the agenda worked out.*

Thornberry's recollections were also positive, but his ranking was lower, a 7.5 to 8 out of a possible 10.

> *It was a lot of fun! I operate a lot on personal relationships, and I really liked working with these people....they're very bright, they have a bias toward action. And it was successful....they developed action plans and later on, O'Connor announced those plans at a quarterly meeting of all employees. Another thing, there was no hassle about money, as there often is when the work load expands and fees go up based on the client's requests. When there are problems like that, the general level of cooperation goes down. But there were no problems at Copley.*

He believes he had a significant impact on the organization, particularly with lower level employees. As he explained:

> *I helped empower them. They were able to tell their side of the story through me. I was their ombudsman.*

Why, then, the lower ranking? Thornberry explained:

> *Well, I wished we could have arranged a longer-term relationship. The company needs to develop a management training program. The managers need training on how to give feedback and direction. I mentioned that to O'Connor when we talked last week and he said "Yeah, we're thinking about it." They resist because they're afraid of being bureaucratic like The New England. They need to go slowly, to have simultaneous loose-tight controls. Strategic planning isn't for the long term anymore; it's the action you plan for the next six months.*

SITE # 3: BRANHAM BUILDERS, INC.*

Client:

William R. Minder, President, Branham Builders, Inc., received a B.S. from MIT and an M.S. in Architecture from Yale University. He entered the development profession in 1959 constructing vacation homes in Colorado. In 1974, he formed the Branham partnership with Kathleen Martin and another architect. Martin has an M.S. in Architecture from the MIT. Since 1980, Branham completed a total of 152 residential units and 110,000 s.f. of commercial space with a combined sales price exceeding $52 million. In July 1988, four projects totaling 365 residential units and 30,000 s.f. commercial space, with a combined market value in excess of $95 million were under construction. There are 37 employees at Branham.

Consultant

Dr.Chris Argyris is the James Bryant Conant Professor of Education and Organizational Behavior at the Harvard University Graduate School of Education. His studies have focused on how people learn. His current research focuses on consultants and the consulting industry. He is the author of numerous scholarly articles and books, among which are "Skilled Incompetence" (Harvard Business Review, September/October 1986), and *Strategy, Change and Defensive Routines* (Ballinger, 1985).

Recognition of Need

> *We were having trouble with what the owners' role should be. Up until then we were a "Ma and Pa" organization, but we were also growing.* (Minder)

In 1986 Branham Builders was stretched to the limit with more active projects than at any time in their history. Minder recalled the increasing levels of tension:

> *The difficulties were in project management....was the project manager (PM) a decision-maker or merely a paper shuffler? The PM's were all architects. There were questions of ownership of ideas and of the firm. Martin and I, as partners-in-charge*

> *of projects, wanted a part in design decisions.*

Architect Noel Germain, an experienced project manager and a minority partner (with a 6% interest), was responsible for hiring and monitoring the PM's, and also served as a PM. The majority partners, Minder and Martin, zealously upheld Branham's reputation for high quality and affordability and found it hard to delegate responsibility. The parallel increases in work load and the number of project managers confounded the organization. There were no job descriptions delineating roles and responsibilities. Communications broke down; inefficiency rose. Minder described the emergent problems:

> *One problem was bad business judgement, e.g., a PM's lack of sensitivity in speaking with town officials on zoning problems. Another was technical screw-ups by PM's, e.g. failure to ensure sound insulation in buildings. Who was really responsible for dealing with the PM's, Germain (as technical head) or Martin (as project head)?*

The partners and managers agreed that Branham needed help. They decided to hire a consultant to help them define roles and lines of authority.

Engagement Decision

Two out of the four consultants contacted, Argyris and one of the large management consulting firms, were asked to make presentations. (Minder first learned of Argyris' work when he was a graduate student at Yale, and

Argyris was on the faculty there. When problems arose at Branham, Minder recalled Argyris' work in behavioral psychology and decided to contact him.) Each consultant addressed a meeting of the partners, controller, financial officer and project managers. The management consultant firm was rejected. According to Minder:

> *They were accustomed to dealing with much larger clients. They had a "cookie-cutter" approach and offered packaged solutions. We are a unique firm, not suited to that kind of consulting.*

Argyris, on the other hand, was enthusiastically received. Minder described his presentation as "exciting, inspiring", and said all the managers felt that working with Argyris could be personally and individually rewarding. Minder:

> *We wanted him to show us a path. We didn't understand how to move forward. We expected to tell him our troubles like a "shrink".*

In considering potential clients, Argyris looks for research opportunities to collect data relevant to his work. Clients are generally not accepted unless they add to his "capital stock of knowledge." His current work is developing theories about effective consulting and most of his clients are consulting companies. Argyris was attracted to Branham:

> *I saw a young, small organization which wanted to use job descriptions to avoid becoming "rigidicized" in the future. I knew that unless they dealt with their*

defensive routines, they wouldn't be able to prevent problems in the future.

He insisted on describing his consultative process to the entire group of managers because he "didn't want to have any one of them think they had me in their hip pocket". And what did he pledge to do for them?

I told them I'd meet with them to discuss their worries about the future, e.g., why did they think job descriptions would solve their problems? I would monitor how they dealt with each other by first identifying the defensive routines they used and then helping them change those routines so they could get on with structuring job descriptions.

Argyris told Branham they could either hire so-called experts to define their roles or they could let him help them do it themselves. Was he promising to give them insight?

It was more than that. Insight can give one knowledge, but knowledge can be used counterproductively. It's not enough for them to understand their problems; they have to move one step further to change the status quo. The value added comes from developing solutions in ways that go beyond insight.

It was agreed that the number of meetings would depend on both the issues raised for discussion and Argyris' time constraints. His other commitments forced a limited scope of work at Branham. Argyris:

This was bypass intervention. Although Branham had a lot of organizational problems as a company in transition, direct intervention in those problems was foregone for now. Our meetings would circumvent *those problems and focus on the job description problems cited by the client.*

Engagement Activities

Argyris has a standard "1 minute/4 hour" ground rule, *i.e.*, at any time in the engagement, either the consultant or the client can, with a minute's notice, end the proceeding. Then, up to 4 hours is available for either party to explore the reasons for failure, but not to try to persuade the other party to resume the proceeding.

Five or six meetings of the partners, controller, financial officer, and project managers were held, usually in the conference room at Branham. Each lasted one to three hours and dealt with a particular issue, e.g. Germain's interaction with the PM's. Minder called the meetings "gripe sessions". He recalled how Argyris probed and intervened through follow-up questions, such as "Are you paying attention to what X just said?" and, "Are you really open to hearing X's comments?" and, "Do you have resistance to what X is telling you?". Minder:

> *Argyris looked particularly for resistance points; and he used the transcript to point out our resistance points. He taught us how to phrase our thoughts differently. For example, there's a world of difference between saying "You're not doing that right", and saying "It seems to me there might be another approach." We used to demonstrate a lot of antagonism toward each other; sometimes we yelled and screamed. Now there's not much yelling and there's a lot less stress.*

On two occasions, Martin and Minder wanted to discuss their difficulties with Germain's performance. Argyris insisted that either Germain be present or be informed that he would be discussed. Germain came to those meetings and Argyris believes all three were satisfied with the discussions.

Argyris taped the sessions, transcribed the tapes, and organized the data for feedback to Branham at the next meeting. For example, he would decribe typical defensive routines, such as mixed messages, and cite examples from the transcript. Argyris recalled one meeting:

> *Two managers had come to Branham from large firms. They wanted to manage their part of Branham's business. But, Minder and Martin didn't want to be left out of professional decisions, though they weren't interested in day-to-day routines. It took several discussions and a lot of facilitating on my part for the managers to say they couldn't trust the partners to leave them alone. I asked why they equated trust with distancing. The managers simply wanted "hands off". The deeper problem, it surfaced, was they feared their own lack of ability. What if they made a mistake in full view of the partner? It turns out that the bureaucracy they left in the big firms was in fact the source of their comfort. The structure and rigidity suited them better. Branham wasn't the problem; they were the wrong people for the jobs.*

(The two managers have since left Branham.)

The engagement ended by mutual consent after four or five sessions to define roles. Both Argyris' time constraints and Minder's limited financial resources influenced the termination decision.

EVALUATION OF ENGAGEMENT

Minder gave the engagement a ranking of 8 to 9. Did he enjoy it? The easiest part was working with Argyris, described as "charismatic, fun, stimulating"; and the hardest was that Argyris "left us with no easy answers, just the means to solve our own problems." Minder knows it's a continuing process:

> *We wanted to get away from being a Ma & Pa organization and to use the PM's. Argyris didn't do that specifically for us, but he set a tone for being aware of ourselves, of having an interest in the other person's point of view, of avoiding the "digging in heels" problem. He helped us realize we are fully empowered to change the organization, and he gave us a sense of doing that through improved communication techniques. He concentrated on how we interacted; now we concentrate on that, too. We're less judgemental.*

There are weekly managers meetings at Branham now. The project management function has been further refined: each project has a development manager (DM) and a production manager (PM). Minder:

> *It struck me that this arrangement (new PM roles) might work. So, I drew it up and presented it at a managers' meeting. It took us six months of discussion to reach consensus on the new roles, but it's working.*

How influential was Argyris in the redesign of the project management function? Minder explains:

> *The PM/DM system really evolved after Argyris and was a result of our own efforts.*

The agreements reached with Argyris did not really solve the problem. He helped in the area of our corporate education. If the project management problem is now solved, we solved it.

Argyris ranked the engagement a 9 (out of 10). He noted the limited objectives and the relative shortness of the engagement. He described Branham as "open, cordial, accepting of personal responsibility, and demonstrating a willingness to work hard to fulfill their stewardship." He believes he provided the promised value added because "they learned to identify their defensive routines" and to change their behavior. He was satisfied, also, with the data for his research. What did the Branham experience teach him? Argyris:

It taught me that the control systems, such as accountability, which people often claim to dislike the most, are the ones they tend to hang on to the longest. In firms like Branham, it's really hard to define turf at the upper levels where there is a lot of overlap. So, it's important to bolster job descriptions with the means to confront how operations are going. A job description is a means of protection. First, they had to deal with what they wanted to protect, and why they needed protection, and from whom. Then they could build in mechanisms, e.g., rules for discussions among levels of authority, so they can accommodate those needs on an ongoing basis.

The Branham engagement also confirmed Argyris' general beliefs about professional organizations (such as Branham): they provide a service distinctly different from the goods of a manufacturing company; 2) the service is never turned over to the client as a manufactured product is; and 3) the client has continual control. Argyris summarized the challenge for Branham:

> *How does the firm detect and correct its errors? How do you reduce the control mechanisms, e.g., the accountability, which inhibit learning, in order to better craft the service?*

CHAPTER THREE

ANALYSIS of FIELD DATA

Chapter 3 analyzes the consulting engagements at the three real estate development companies presented in Chapter Two. The Client/Consultant Relationship Model introduced in Chapter 1 (Figure 4) is the framework for the analysis. The central question is: to what extent do the activities at the sites conform to the models and theories developed in academic literature? In particular, the analysis focuses on the level of process consultation at each site.

It is important to note that the analysis is based on one client/consultant relationship at each site. The following discussion should not be construed as an analysis of the firms' overall relationships with their consultants.

DECISION-MAKING BASES

Clients can make explicit or implicit decisions at each step in the client/consultant relationship to make it more, or less, process-oriented. Figure 6 summarizes the bases on which the three real estate developers proceeded through the four steps at each site. Primary factors are indicated by "Xp"; secondary factors, "Xs".

Figure 6 BASES FOR CLIENT/CONSULTANT ACTIVITIES

	MILESTONE	COPLEY	BRANHAM
RECOGNITION OF NEED			
External Environment	Xp		
Organiz. Disequilibrium		Xp	Xp
ENGAGEMENT DECISION			
Skills/Needs Match		Xp	Xp
Personal References			
Client Experience	Xs	Xs	Xs
Other Criteria	Xp		
ENGAGEMENT ACTIVITY			
Product-oriented	Xp		
Process-oriented		Xp	Xp
ENGAGEMENT EVALUATION			
More Profitability	Xp		
Improved process		Xp	Xp
Other Criteria			

KEY: Xp=primary factor, Xs=secondary factor

RECOGNITION OF NEED

The need to formulate a growth strategy is common to the three sites; the approaches are quite different. Branham and Copley focus on assessing their firms' internal systems; Milestone is primarily interested in assessing external factors. For example, Libert's definition of "organizational strength" is couched in market terms, *i.e.,* he wants to know how Milestone stacks up against its competitors in total assets, and ability to raise financial capital. His analytical, external-focused, approach seems inconsistent with the integrative approach to strategic planning proposed by McGinnis (see Figure 1). It is reminiscent of many development firms' *modus operandi* in the 1970's. Libert's interest in devising "themes and options" sounds visionary and qualitative. However, the emphasis on quantitative analysis to identify the firm's internal strengths (its profit centers) seems to ignore the human resources and systems, key factors in the firm's overall ability to compete in the marketplace. Perhaps Milestone should also compare itself with the competition in terms of human capital.

Libert wants his consultant to be a surrogate brother. He misses the fraternal "give and take", through which he tossed out new ideas and got candid feedback. Dialogue is an integral part of Kolb's Experiential Learning Model (Figure 2); absence of dialogue inhibits learning. Recognition of his need for a dialogue partner may be implicit in Libert's decision to hire a consultant at this time.

O'Connor and Minder want consultants to help them formulate strategies for dealing with organizational disequilibrium caused by rising levels of employee dissatisfaction. O'Connor's explicit desire for a facilitator is couched in terms of process. He knows that dealing with his "problem" (unrest among the staff) is important to maintaining Copley's success in its relationship-based business. The decision that Copley needs an independent, third-party consultant does not come from regression analysis. Rather, it comes from

O'Connor's experience (during previous engagements), openness (to the 1987 MIT case study), and internal values ("We stress people".) O'Connor seems to recognize that future success depends on how well Copley manages both the internal, human resource systems, and the deal-making in the external environment. When O'Conner tells Thornberry that Copley needs a facilitator to lead the retreat discussions through resolution of action plans, he's asking for process consultation. O'Connor's ability to be both retrospective and prospective, is consistent with Mintzberg's notion that strategy is crafted from past behavior and future goals.

Like O'Connor, Minder is searching for the means to manage organizational change. His focus is initially on human resource management (job descriptions). More explicitly than O'Connor, Minder defines his strategic "problem" in terms of organizational development and marketplace activities. An example is Minder's description of both the project requirements (more sensitivity needed in dealing with communities on zoning issues) and the partners' needs (ownership of ideas).

In summary, the recognition of need for consulting services differs among the three sites in terms of orientation and expectation. Milestone's needs are defined in terms of its competitive external environment, and the consultant is expected to analyze data and produce decision options. Copley's and Branham's needs are for internal change; they expect consultants to provide the means for the firms' self-analysis and decision-making.

ENGAGEMENT DECISION

The engagement decision can be subdivided into three areas: selection criteria, decision-making process, and defined outcomes/activities. It is interesting to examine how attention to process, even at this preliminary stage of the engagement, affects outcome and relates to the definition of the task.

Libert's single selection criterion, *i.e.*, the consultant must be either BCG or McKinsey, is much narrower than Nees and Greiner (1985) recommend. Nevertheless, Libert seems to match his stated need with the consultant's skills for this engagement. BCG is a "strategic navigator" type consultant (see Figure 3) whose approach is to model key variables to help the client find a more profitable market niche. If Libert decides to engage a consultant for other kinds of strategic-planning issues, *e.g.*, organizational development, then his selection criterion will be less effective. The focus in organizational development is on the processes of people working together. "Strategic navigators" are not well-suited to that kind of issue. Libert has also achieved a match with BCG in terms of working style. Their relationship in past engagments has been friendly and productive. Clearly, that positive experience influences Libert's decision.

The Copley site illustrates a more deliberate effort to match needs and skills. O'Connor's interest in getting a more effective consultant than he had for the second retreat, and in using the MIT case data, fits Kolb's Experiential Learning Model. He had two previous experiences with consultants, reflected on them, formed new concepts (*i.e.,* selection criteria for the next consultant), and then tested them (interview and choose a new consultant).

Minder's selection criteria also stress matching Branham's needs with the consultant's skills. He is cognizant that "cookie-cutter" approaches frequently offered by large, nationwide, management consultants, are not appropriate for Branham's employee-interrelationship problems. Minder bases the selection, also, on his past experience, *i.e.,* his knowledge and enthusiasm for Argyris' work. The consultants chosen by Branham and Copley are diagnositicians. They have similar characteristics to Nees & Greiner's "management physician", except, their backgrounds are in behavioral science, rather than general management. They are well-suited to the assigned tasks.

The decision-making processes to retain a consultant run the gamut from strictly sole-source (Milestone) to collective (Branham). Libert's mode seems inconsistent with Nees and Greiner's recommendation for collective decision-making among senior staff. However, the long-term relationship between BCG and Milestone, and the nature of the task (esssentially data collection and analysis), may preclude the need for a group decision in this case. At Copley, where the consultant's activities focus on the internal operations of the firm, it makes sense for O'Connor to include his senior staff in the decision-making process by soliciting their recommendations for an appropriate facilitator.

Branham uses the most collective decision-making process. Having agreed on the choice of consultant, managers at Branham have a more vested interest in the success of the engagement than those at Milestone, or at Copley, where the choice is O'Connor's. The extent to which managers participate in the consultant selection decision is determined by the task and/or focus, and relates to their subsequent level of cooperation.

In terms of defining outcomes and/or activities at the outset of the engagement, neither Libert nor Leland spells out his expectations. They rely on what Libert describes as their "mutual understanding of the consulting profession, its mission, likely results and attendant costs." Leland's retrospective comments, that he wishes he had spent more time, at the outset, to learn "how far he (Libert) was willing to go with the company," suggest that early, more explicit dialogue to define outcomes is mutually beneficial.

By contrast, O'Connor and Thornberry speak with more candor and specificity about their expectations (*e.g.,* O'Conner wants a facilitator and action plans) and requirements (*e.g.,* Thornberry insists on access to the organization and anonymity for employees he will interview). The letter of agreement clarifies and confirms the engagement activities, thereby minimizing the potential for wasted resources and unrealized expectations.

Argyris' preliminary discussions with Minder and Branham's senior staff result in a redefinition of the "problem." Though initially approached by Minder to help define roles and lines of authority in the organization, Argyris suggests to the Branham group that a better approach would be for them to examine their individual behavior patterns. He proposes (and carefully explains the process) to facilitate the examination, and help them find ways of altering behavior they want to change. Their consensus decision to accept Argyris' proposal is the beginning of his process consultation at Branham. It sets the stage for a collective effort by the fully-engaged group of owners and senior staff. The Branham site supports Schein's (1988) finding that an important part of any consultation process is helping the client figure out what the problem is.

ENGAGEMENT ACTIVITIES

The engagements illustrate varying degrees of process consultation. For example, the process consultation aspects of Leland's work at Milestone are limited to his data delivery sessions with Libert (and occasionally with other managers). Leland's comment that "it wouldn't be productive for us (BCG) to make decisions and then for the client to ignore them" sounds more focused on liability than on learning. His definition of process seems more related to client accountability than to teaching the client new skills. When Libert opines that the engagement with Leland is more process than product-oriented, he is referring to the substitution of informally-presented, piecemeal, data summaries and discussions, for voluminous reports. By limiting the number of meetings, and the involvement of other managers, Libert manages the client/consultant relationship to ensure that Leland focuses more on content (*i.e.,* data) than on process (*i.e.,* behavior). To the extent that Leland enlists Libert in formulating successive steps during the engagement, the methodology is more process-oriented than BCG's 1970's production mode (*e.g.*, get an assignment, gather and analyze data, and write a report). The Milestone case exemplifies the industry-wide evolution in the *modus operandi* of the large management consulting firms.

The loneliness Libert feels since his brother's departure is common among CEOs; they often lack an unbiased, reliable "sounding board" among their senior staff; hence, the need for an outside consultant who, in addition to bringing new skills, can lend an understanding ear. In this engagement, Libert's and Leland's relationship mirrors step #3 ("Conduct diagnosis that may redefine the problem") on Turner's heirarchy of objectives. (See Figure 4A.)

Figure 4A SITES' ACHIEVEMENTS ON HEIRARCHY OF CONSULTING PURPOSES

8. Improve Organizational Effectiveness	
7. Facilitate Client Learning	BRANHAM
6. Build Consensus and Commitment	COPLEY
5. Assist Implementation	
4. Provide Recommendations	
3. Conduct Diagnosis That May Redefine Problem	MILESTONE
2. Provide Solution to a Given Problem	
1. Provide Requested Information	

Adapted from Turner (1982, p. 122)

At Copley, both the client and consultant are focusing on process. O'Connor's recognition of the human resources needs, and his interest in changing how the organization operates, are classic process issues. By giving Thornberry full access to the organization and agreeing to guaranteed anonymity for those interviewed, O'Connor ensures that the entire organization is represented in the process. Thornberry's data is the catalyst for discussions about problems at Copley, but his role is not to provide optional solutions. Rather, his interest is in having managers learn how to recognize, discuss and commit to solving problems. The managers' acquisition of those diagnostic and communicative skills bodes well for the future growth at Copley, which places high value on human relationships. Thornberry's approach is characteristic of process consultation. By going beyond discussion of problems to formulation of action plans, Thornberry and Copley reached step #6 ("Build consensus and commitment") on Turner's heirarchy. (Figure 4A.)

Like Copley, Branham is concerned with process. "We wanted him to show us a path," says Minder about Argyris. The Branham site illustrates more direct one-on-one intervention than is obvious at Copley (where Thornberry's scope of work is more organizational). Whereas Copley managers formulate plans to change how the organization functions, Branham managers work to alter their individual behavior patterns. They are honing their individual and group process skills (*e.g.,* recognition of defensive routines). The implications for personal, as well as organizational, growth are considerable. (The departure of the two project managers shows that growth is not without its difficulties.)

To the extent that managers expand their capacities to be more facile at "reading" their colleagues, superiors and subordinates, the entire organization will operate with fewer misunderstandings and hidden agendas. The managers at Branham acquired skills from the consultant which they subsequently used to redesign the project management function. During this engagement, Branham and Argyris reached step #7, "Facilitate Client Learning," on Turner's heirarchy. (Figure 4A.)

Schein (1988, p 5.) defines process consultation (PC):

> *PC is a set of activities on the part of the consultant that help the client to perceive, understand, and act upon the process events that occur in the client's environment in order to improve the situation as defined by the client.*

At Copley and Branham, consultants enlist managers to effect change. Their methodologies make those sites relatively consistent with Schein's definition. Thornberry's activities to gather data, assist with the retreat agenda, and facilitate the retreat, are consonant with process consultation. His interviews with employees are a critical step in the process. By guaranteeing anonymity to employees from all levels and departments in the firm, he licenses them to be frank and honest. The interviews yield valuable data which is then used to help

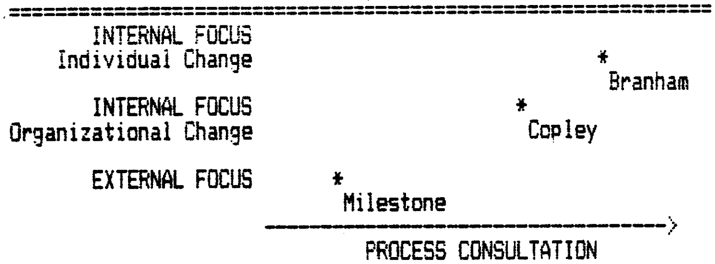
O'Connor rewrite the retreat agenda. Without the data, it is doubtful that the retreat participants would have dealt with the issues most pertinent to the "problem" identified by O'Conner at the outset. A comparison of the retreat memorandi of April 3, 1987 (Appendix A) and June 8, 1987 (Appendix D) shows the effect of Thornberry's data-gathering. The latter memo spells out goals, ground rules, and suggests nine areas of concern for discussion and actions. O'Connor's overt support for Thornberry's activities at Copley is important to the success of the engagement; it sets the stage for the process consultant's intervention. For Thornberry (as for other process consultants) the data gathering does not not occur prior to intervention; it *is* intervention.

At Branham, a longer-term application of Argyris' methods would better typify his experiences with process consultation. Argyris defines the Branham engagement as bypass intervention because it circumvents an examination of the entire firm's operations, and focuses on one issue: managers' roles and responsibilities. Taken as a microcosm, however, it exemplifies Schein's definition. By observing a typical work event (the managers' meetings), Argyris can most effectively intervene in the human processes which (according to Schein's model) are fundamentally involved in creating and solving organizational problems. Argyris is able to help the managers identify where individuals' goals converge or diverge with goals common to the organization. An example is the "discovery" that the two project managers who are most resistant to being held accountable for their decisions, are, in fact, personally ill-suited for the managerial independence they originally sought at Branham. Argyris teaches how to recognize defensive routines; this empowers the managers to more accurately diagnose and solve of their own problems.

Schein's Purchase of Expertise Model most closely defines the Milestone engagement where the consultant serves less to facilitate and more to inform. This model is the most prevalent in the industry. The client defines a need and realizes that the organization doesn't have the resources to fulfill the need, so a consultant is hired to provide the information or service. The consultant shares knowledge, as Leland did at Milestone, but he generally does not transfer skills to the client. Even at Milestone, however, with its external/product focus, there is evidence that process consultation occurs and is important to the engagement's success. Leland's one-on-one sessions with Libert, providing data and getting feedback, represent a new variation on the 1970's theme of big-business, management consultants (like BCG). Clients today are demanding more involvement; consultants are responding with more attention to process.

Figure 7 summarizes the scope of process consultation at the three sites. It illustrates the relationship between the client's problem-solving orientation (internal vs. external) and the level of process consultation. The more external-focused, the more the client will look to the consultant for information or a particular service. The figure also shows that the highest degree of process consultation occurs when the client's focus is on changing individual behavior.

Figure 7 SCOPE OF PROCESS CONSULTATION
MILESTONE, COPLEY & BRANHAM SITES



EVALUATION OF ENGAGEMENT

Figure 8 presents the consultants' and clients' scores for the success of the relationship. In all cases, both parties reported higher-than-average levels of satisfaction with the engagement. It is interesting to note that at two sites, Milestone and Branham, the scores of the clients and consultants are within half a point of each other; at Copley, there is more disparity.

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=========================================================
Figure 8                      EVALUATION OF ENGAGEMENTS
=========================================================
MILESTONE
    Libert                                        *
    Leland                                      *
COPLEY
    O'Connor                                            *
    Thornberry                                  *
BRANHAM
    Minder                                          *
    Argyris                                           *
                      1   2   3   4   5   6   7   8   9   10
                      SUCCESS------------------------------>
=========================================================
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The closeness of Libert's and Leland's scores (7 to 8) suggests a similarity in measurement criteria not supported in the data. Leland defines BCG's success criterion as providing "value-added" services which result in higher profitability for the client. In addition, he cites Libert's decision to shrink the firm as demonstrative of the engagement's success. (There are no data to indicate the effectiveness of the decision.) Leland's reflections (*e.g.,* that he'd prefer more time in general discussions with Libert and other managers) may indicate a predisposition to more process consultation during future engagements at Milestone. It is clear that Leland's key criterion for measuring the highest degree of success is the level of challenge involved in the engagement.It is unclear whether "challenge" means more process or more technical complexity. Libert likes what he got from Leland and says he wants more analytical help from BCG so he can continue to change the direction of the company. The fact that he seldom mentions other people in the company, in terms of their importance to deciding or effecting the mission of Milestone, sets him apart (in this engagement) from O'Connor and Minder.

Another similarity between Milestone and Branham is Minder's interest in engaging the consultant more often. His measure of "value added" is different from Libert's, however. For him, the engagement's success is manifested in changed behavior at Branham, not in the delivery of relevant data. He notes that Argyris "left us with no easy answers, just the means to solve our own problems". His score of 8.5 indicates a high level of satisfaction. Both Argyris and Minder talk about the "chemistry" of the engagement (the human dynamics element) as important to its success. Argyris' high score (9) confirms his feeling that the engagement was successful, notwithstanding its relative brevity. His criteria are rooted in his research agenda (*e.g.,* this site added to his "capital stock of knowledge") and his process ground rules (*e.g.,* full participation).

At the Copley site, there is less agreement between client and consultant about the engagement's success. O'Connor's measure, based on developing action plans for organizational change, is consistent with his expectations at the outset. His belief that the managers' heightened awareness, together with his new rule for more dialogue, corrects the organization's flaws, is out of "sync" with Thornberry's. The latter's contention, that follow-up management training programs are necessary, reflects a difference in attitude about whether or not formulating action plans at a retreat goes far enough to ensure that day-to-day behavior will subsequently change. The absence of consultant involvement during implementation of action plans at Copley renders the fit less than perfect with the Schein definition . Without the consultant's observing and giving feedback on the implementation, there is no way to gauge if the client has gone beyond perceiving and understanding the "problem" to acting upon process events in the organization in order to improve the situation (the "problem" as defined by the client.) The 2.5-point disparity in scores represents the disagreement between O'Conner and Thornberry on the depth and breadth of the retreat's likely impacts on the organization over the long term.

O'Connor, explaining his success score of 9.5 to 10, remarks on all that has changed at Copley since the retreat. He feels all participants learned a lot. His preliminary decision to collect inhouse data for the next retreat, without the using a process consultant, suggests that he may not have learned the importance of having an outside consultant (like Thornberry) perform that task. Although he values Thornberry's approach, he may not fully understand that special skills are necessary. Does he see that Thornberry's independent, objective data-gathering is an integral part of the process? Schein (1988) tells us the process consultation is deeply anchored in social psychology, sociology and anthropology. Understanding how to intervene in human processes goes beyond having a "good attitude", "open dialogue" and a "willingness to change". A CEO should not expect that his employees (no matter how loyal) will be as candid and honest with an inhouse data collector, as with an outside consultant who guarantees them anonymity. Although the client can learn basic communicative and intuitive skills from the process consultant, that falls far short of becoming an expert in the field. If O'Connor teaches Thornberry how to figure financial ratios, has he transferred to Thornberry his body of theoretical knowledge and experience? No. If Thornberry explains his data-gathering techniques to O'Connor, has he transmitted all the skills necessary for effective data-gathering? No.

In summary, the three consultants share a common interest in providing promised "value added" to their clients. They measure success also in terms of their personal, professional growth as management consultants (*e.g.,* Leland's preference for "challenge"; Thornberry's interest in more involvement in implementation; Argyris' additions to his "capital stock" of knowledge). Leland also measures success in terms of BCG's corporate criteria.

The process-oriented clients, O'Connor and Minder, measure success in terms of how organizational behavior changes; Libert, more content-oriented, measures success in terms of what he changes as a result of data received from the consultant.

On the basis of clients' expectations, the engagements at the three sites are successful. Each client achieves a higher-than-average level of satisfaction. However, since the research does not include interviews with anyone other than the CEO, it is impossible to determine the extent to which other managers agree with the success scores shown on Figure 8.

In terms of process consultation (the Schein definition), the results are more variable. The minimal level of process consultation at Milestone does not mean Leland's work is faulty. Clearly, Libert receives from the consultant both the process and product he wants. Libert is confident his subsequent decisions, based on Leland's data, will enable Milestone to emerge from its transitional stage leaner and able to more effectively operate in the marketplace. The research suggests, however, that Libert needs to also examine the impact of those decisions. Specifically, Libert needs to know if the people at Milestone are willing, able and committed to the changes he makes. The data do not indicate the effects of Libert's decision on the people in the organization.

Process consultation at Copley, organizationally focused, facilitates the raising of critical issues for management review and formulation of action plans at the retreat. A critical part of the process is Thornberry's data-gathering, which allows a cross-section of employees to vent their frustrations. The subsequent decision of managers (at the retreat) to not acknowledge the "ownership" of those frustrations (despite the declarations about "openness" with O'Connor), is evidence that Thornberry's ombudsman function is a key component in discovering the sources of dissatisfaction.

At Branham, process consultation results in changed behavior among managers. Argyris' intervention at the individual level enables managers to concentrate on self-analysis, personally and collectively, and to then apply their new skills organizationally. The events at the Branham site are consistent with Schein's (1988) opinion that understanding human processes and the ability to improve those processes is fundamental to any organizational improvement.

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CHAPTER FOUR

FINAL COMMENTS

Development is often compared with making a movie. The analogy works because success in each industry relies on both art and science, people and technology. Ultimately, what makes or breaks either the development or the movie are the people, without whom the projects are lackluster and dormant. Therefore, crafting strategies for future growth in either industry requires concentration on what makes people work well together. How can developers work with management consultants to effect strategies? What guidelines can be gleaned from this research? What lessons can be learned?

One important lesson is that real estate development companies are finding value when they engage management consultants to help with growth-related, organizational development issues, in addition to their use of technical experts to provide data and quantitative analyses. The executives at Copley and Branham recognize that the growth of their companies depends in large part on how well the people in their organizations work together. They understand, too, that managing the interrelationships is hard work, and requires different skills than designing a building or analyzing financial statements. Part of this lesson is that a skilled consultant is needed to facilitate the process of learning new leadership skills. Developers, working with process consultants, can expand their skills beyond savvy deal-making, to include managing their complex operations and leading their changing organizations.

Guideline #1: Wise investments in management consultants can yield competitive advantage.

The second lesson is that real estate developers should be as discriminating in their selection of a consultant as they are in their choice of a joint venturer. Different situations require different partners. Matching the firm's needs with the consultant's skills can save time, frustration and money.

Guideline #2: Be an informed consumer.

The third lesson is that strategic planning is an ongoing, dynamic, artistic process. It is manifested not so much in five-year plans, as in a continuing effort (led by the CEO) to manage all the firm's resources, particularly its people, toward organizational and personal growth. As Argyris wrote, "Strategy is the vehicle for thinking about change. It is at the heart of managing any organization."(1985, p.4)

Guideline #3: Strategic planning looks both backward and forward.

The fourth lesson is that the highest return on investment in management consulting services comes when the consultant transmits to the client some of his/her skills. Solution consultants (*e.g.*, Nees & Greiner's "strategic navigators," "mental adventurers," and "system architects") focus on research, plans, and designs. They deliver products - knowledge, schemes for higher profitability and greater efficiency- to their clients. Generally, they do not transfer their skills. Process consultants, by contrast, believe their essential function is teaching human process skills to empower the client to effectively lead the organization. The highest-value consultant facilitates the client's learning, and leaves the client with added skills to diagnose and solve problems in the future.

Guideline #4: Make sure each consulting engagement is a learning experience.

This research demonstrates that the client has the responsibility for managing the relationship with the consultant to maximize the value to the firm. The research sites include incidents which illustrate less-than-optimum outcomes for the client. For example, when O'Connor decides against follow-up management training for his senior staff, he may be foregoing the opportunity to ensure that managers have the skills to implement the action plans devised at the retreat. When he decides against using a process consultant for data-gathering for the Fall 1988 retreat, it's an indication that he may be missing the point of Thornberry's role. The data employees give to Thornberry is information that may not otherwise get to the top of the organization - to O'Connor and his senior staff. Despite his best efforts to create a "small company" atmosphere, and notwithstanding the extremely high regard his employees have for him, O'Connor (like most CEOs) still needs a Thornberry-type ombudsman to perform a mental health check on the firm from time to time.

Guideline #5: Don't assume you can become your own process consultant by osmosis.

At Branham, Minder describes how the managers used the skills taught by Argyris to reach consensus on a new project management system over the course of six months. Too much process without action can be detrimental. With live projects to manage, Branham needs to "stick to the knitting." At what point does too much process become a liability to the firm? Process consultants can be engaged for follow-up service, to intermittently evaluate processes, and to keep the firm on track during implementation of change.

Guideline #6: Practice preventive medicine: get regular check-ups.

The final lesson is that organizational growth and personal growth can be (and usually are) mutually supportive and catalytic with the help of the "right" consultant. Part of this lesson is that good "chemistry" between the client and consultant (as evidenced at the three research sites) is prerequisite to an instructive engagement, particularly with a process consultant hired for an organizational development issue. To the extent that Argyris, Leland and Thornberry help their clients communicate more effectively, think more clearly, and behave more rationally, they facilitate both organizational and individual change. For their parts, the clients (in addition to widening the consultants' experience base), increase the consultants' understanding of the real estate development industry. With the added experience of each engagement, the consultant becomes a more valuable resource for the client. A successful engagement, a reciprocol endeavor, is a win/win situation for both parties.

Guideline #7: Make sure learning is a two-way street.

Some conclusions are drawn from the research. The first is that management consultants are not all the same. Their varying approaches, different "success" criteria, and wide-ranging areas of expertise, make them a heterogeneous group.

Second, the research indicates that process consultants are generally operating outside the mainstream of the management consulting industry, which is dominated by "solution consultants" and the "Big Eight" accounting firms.

Third, the findings strongly suggest that real estate developers seeking advice on organizational development issues should hire process consultants. These consultants are experts on human behavior and interrelationships, the operational lifeline of the organization. It is essential that managers, particularly the CEO, understand the human processes at work in their companies, in order to effectively lead their organizations. With process consultants as their partners in learning, developers can make the strategic changes necessary for healthy growth.

Finally, it is concluded that the real estate development company which attends to the human processes in its organization, *i.e.*, is interested in learning at all levels, is more likely to succeed than one which limits its focus to analyzing markets, making deals and crunching numbers.

What Kolb wrote fifteen years ago is particularly applicable to real estate development firms in 1988. On management and the learning process, Kolb said:

> *Today's highly successful manager or administrator is distinguished not so much by any single set of knowledge or skills but by the ability to adapt to and master the changing demands of job and career, i.e., by the ability to learn. The same is true for successful organizations. Continuing success in a changing world requires an ability to explore new opportunities and learn from past successes and failures.*
>
> (Kolb, 1973, p.27)

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COPLEY REAL ESTATE ADVISORS MEMORANDUM

TO: Distribution

FROM: David R. Jarvis
Linda A. Stoller

DATE: April 3, 1987

RE: Corporate Planning Meeting

A corporate planning meeting has been scheduled for Wednesday, June 10th through Friday, June 12th (with the option to stay through the weekend), at the White Elephant on Nantucket.

Please plan to arrive on Nantucket Wednesday afternoon. A group dinner will be held Wednesday (as well as Thursday) night. Discussion sessions will be held Thursday morning, Thursday afternoon, Friday morning and possibly Friday afternoon. Spouses are invited to arrive Friday afternoon and a group dinner will be held Friday night. Saturday and Sunday will be free days, with no formal activities scheduled.

Rooms have already been reserved in your name. Flight arrangements for yourself and your spouse can be made by contacting Andrea at Fugazy Travel (367-0507) and will be billed to a master account. Since this is peak season and flights are limited, please make your reservations as soon as possible.

A separate memorandum will follow containing a more detailed schedule. Please contact either of us should you have any questions.

Distribution: Stephen Anthony, Daniel Coughlin, Scott Edwards, James Flynn, Jack Gardner, Michael Harrity, Pam Herbst, Kevin Mahony, Joseph O'Connor, Jack Phillips, Lou Russo, Steve St. Thomas, Bill Salisbury, Peter Twining, Charlie Valentino
DRJ25.5

APPENDIX A: Preliminary Retreat Agenda Memorandum

COPLEY REAL ESTATE ADVISORS MEMORANDUM

TO: Distribution

FROM: David R. Jarvis
Linda A. Stoller DJ

DATE: April 3, 1987

RE: Corporate Planning Session

Three general areas of discussion have been suggested for our corporate planning sessions in Nantucket. Attached is a preliminary outline of those initial issues. We would appreciate receiving by 5:00 PM Thursday, April 9;

1. suggestions as to other major topics of discussion;

2. more specific refinements and additions to the general outline, and;

3. suggestions as to worthwhile books or articles relevant to these issues.

Once all comments have been incorporated, we will meet with everyone in the company in focus groups of about eight to add further input. That revised discussion paper, together with various suggested readings, will then again be distributed.

If you have any questions or comments, please contact either of us. Thanks.

Distribution: Stephen Anthony, Daniel Coughlin, Scott Edwards, James Flynn, Jack Gardner, Michael Harrity, Pam Herbst, Kevin Mahony, Joseph O'Connor, Jack Phillips, Lou Russo, Steve St. Thomas, Bill Salisbury, Peter Twining, Charlie Valentino
DRJ26.5

Preliminary Discussion Topics

1. Growth of the Company

- Should we continue to grow
- Do we have a choice
- Is growth good or bad
    - For personal opportunity
    - For personal enrichment
    - For the corporate culture
- What are the directions of growth
- Should we diversify
- What are the other implications of growth
- In what areas will growth occur
- How do we best plan growth
- Where will we be in 1988, 1989 and 1990

2. Motivation/Job Enrichment for All

- How do we motivate all employees
- How do we enrich the job experiences of all employees
- Why are there only two titles
- How do people advance at Copley
- How does one become a phantom phantom stockholder
- How does one become a principal

3. Client Service

- What is our corporate objective with respect to client service
- How important is client service
- Are we spending enough time on client service
- How good is our current client service
- How can we improve our client service
    - Individual clients
    - Institutional clients

DRJ27.5

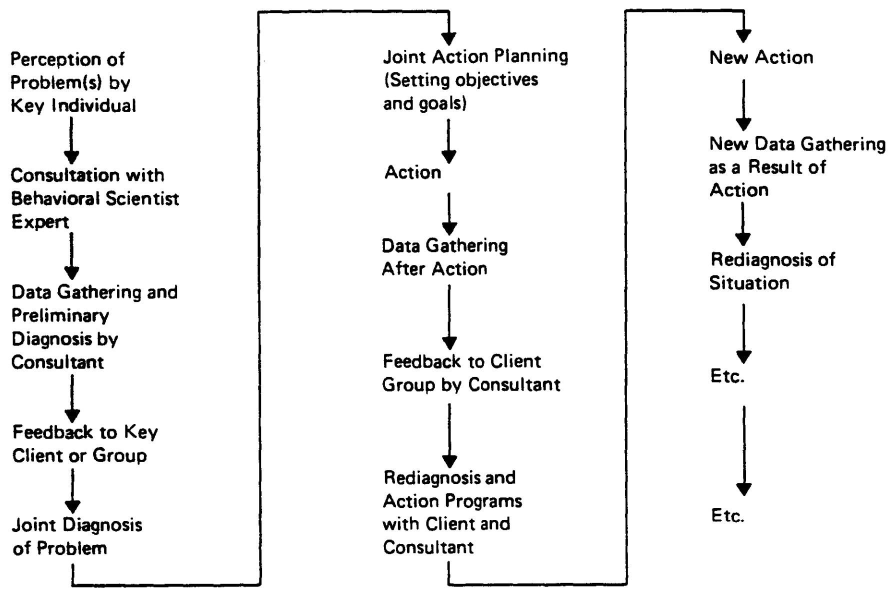

Fig. 2 A Diagrammatic Model for Action Research
(Adapted from W. French, "Organization Development: Objectives, Assumptions and Strategies," *California Management Review,* **XII,** 2, Winter 1969, p. 26.)

SELECTED, REPRESENTATIVE COMMENTS FROM NEIL'S ONE ON ONE INTERVIEWS

1. If you had to characterize Copley as an animal, vegetable, mineral or metaphor, how would you describe it?

- Tiger - more like a lion, aggressive but cares for it pride.
- Double Sessions Football - hot work, hard work, it never ends. Its fun but draining.
- Three Ring Circus - only quality performers need apply.
- Care bear - with a frown.
- Gorilla - we throw things out of our cage and say get this done and get that done.
- A place where the princes are cashing out and the paupers are running as fast as they can.
- A nice book cover - underneath very complex and dynamic but not without problems, but you want to keep reading.
- Like a new building under construction - fast-slow-fast.
- Rush hour on the Expressway - a new deal everyday
- Almost drowning - but not quite.
- Heaven next to a crocodile.
- A controlled explosion - hungry machine requires constant feeding, very efficient with resources.
- Gem - we do what we do extremely well, but its important not to get tarnished.
- A fun party - but a little less fun than it used to be.
- Extra special pizza - with a lot of diverse things on top. Some fit and some don't.
- Senior week - a million things going on, a lot of emotional ups and downs.

- o Rose - pretty from a distance, but as you get closer it has thorns.
- o Committed to excellence - a lot of pride.
- o Ant Farm - amazed at how well organized we are without that much communication, frenetic energy.
- o Celtics - moving, running, ambitious, hard working, but we are a lot younger.
- o Like wading upstream in a swamp at midnight, not sure where you're going or what's going to hit you.

2. <u>If you could make one change at Copley, what would it be?</u>

- o Senior management should become more involved in corporate decision making. Now its just a foursome.
- o Slow growth and do some consolidating.
- o Split Joe's duties - He's a super production guy, break off his leadership and culture piece.
- o Position ourselves better for long term stability.
- o Joe to be more approachable without making people feel uncomfortable.
- o Nothing, its a wonderful place.
- o More team work, we're getting more specialized and departmentalized.
- o Greater definition of job duties and responsibilities.
- o Work on communications. Better dissemination of information.
- o Hire a chief operating officer.
- o Push more authority and decision making downward.
- o Better performance evaluation and goal setting.

JWO

COPLEY REAL ESTATE ADVISORS MEMORANDUM

TO: Distribution

FROM: Joseph W. O'Connor

DATE: June 8, 1987

RE: Nantucket Meeting Topics for Discussion

Attached is a list of tentative goals, a list of topics and comments and a preliminary meeting schedule which were prepared with Neil Thornberry, our facilitator, based on the data collected through his interviews and the focus groups.

Our goals should be:

To get to know one another better
To examine the organizational challenges and issues which face Copley
To make recommendations on how best to approach these challenges and issues and
To have some fun

Our approach should be:

Participative, constructive, problem solving and action-oriented.

In order to facilitate our discussions, we should all observe certain ground rules:

All people are equals
All people will work as a team to solve problems
Our approach will be pro-active and constructive
All discussion will be on corporate concerns and not personal interaction issues.
There will be no personal criticism
We will use time effectively

In preparation, please review and consider the attached list of topics, comments and questions, which are in no particular order. These represent topics or comments raised by a majority of the individuals at Copley. More specific data will follow in Nantucket.

Joe

STRENGTHS

- How do we maintain the excellence and success we've achieved thus far?
- How do we keep attracting, motivating and retaining the brightest and best?
- Should we keep doing the things we do best and take only business that fits our strategy?
- We know our strategy and execute it extremely well.
- We have a shared attitude of doing whatever it takes to get the job done.
- Copley is an above average place to work.
- People are proud to be associated with Copley.

CHALLENGES AND CONCERNS

Culture

- The caring philosophy does not filter down to lower levels of the organization.
- The expressed values of the organization do not coincide with actions.
- How do we keep our family orientation in the face of growth?
- Are we a sexist organization?

Career Development Issues

- There are no career paths at Copley.
- Senior positions are filled from the outside.
- Delegation by principals doesn't happen - responsibility and authority are pushed down only by abdication - the principals want to make all the decisions.

Communication

- Joe receives only selective information.
- How do we keep good information flowing between departments without too much structure?
- Information flow from the principals down is inconsistent.

Job Satisfaction/Morale

- Are we hiring over-qualified people for some jobs?
- How do we keep lower levels motivated and enthused?
- The title "associate" is not enough.

Compensation

- Compensation is not reflective of the organization's success or the amount of work an individual does.
- Compensation is not perceived to be fairly or equitably distributed.
- How do you get into stock plans?
- Secretaries should not be excluded from the bonus pool.
- Top management thinks compensations is extremely good, while others don't.

Organizational Structure

- How do we provide career opportunities without becoming too layered or bureaucratic?
- There are no benchmarks that provide differentiation from others.
- People's job duties and responsibilities should be effectively defined.

Management

- There isn't any real management going on at Copley.

- Deal-makers are valued, effective managers are not.

Client Service

- Should we care more about client services?

- How do we include more people at different levels in client relationships?

- Client service is essential to our success and reputation, but no one wants to do the reporting it requires.

- People don't think enough about client service, we take it for granted.

TENTATIVE MEETING SCHEDULE

Thursday, June 11

8:00 a.m.	Introduction	Joe O'Connor
8:15 a.m.	Overview of 2 Days - Goals/Purposes - Ground Rules - Desired Outcome - Definition of Neil Thornberry's role - Ownership of Work Product	Neil Thornberry
8:30 a.m.	Meeting Kick-Off	Neil Thornberry
9:00 a.m.	Issue Presentation Problem Definition Rank Order Issues Selection of Discussion Topics	Neil Thornberry and All Participants
11:00 a.m. and thereafter	Discussion by Topic Area - Topic - Sub-issues - Alternative Solutions - Conclusions - Action Plan	All Participants

Friday, June 12

8:00 a.m. and thereafter	Discussion by Topic Area - Topic - Sub-issues - Alternative Solutions - Conclusions - Action Plan	All Participants
	Wrap Up of Meeting	Joe O'Connor

COPLEY PLANNING MEETING

ACTION PLAN

TITLES

Task Force: Peter Bailey
Jack Gardner (Chairperson)
Gail Litchfield
Lou Russo
Linda Stoller

Goal: Recommendation to Executive Committee as to the nature and type of titles to be utilized at Copley

Direction: To utilize a more extensive title system, limited as to the number of levels, on a company wide basis

Date: Report to Executive Committee by July 15

Response from Executive Committee by August 15

COPLEY PLANNING MEETING

ACTION PLAN

CAREER TRACK/PATH

Task Force:	**Executive Committee**
Goal:	**To provide all individuals at Copley with an understanding of the potential career tracks and a method of obtaining advancement**
Direction:	**Executive Committee to define and set criteria for advancing to phantom, phantom phantom and all job levels at Copley**
Date:	**Report Complete by August 15** **Implementation to begin thereafter and will be on-going**

COPLEY PLANNING MEETING

ACTION PLAN

JOB ENRICHMENT

Task Force: Scott Edwards
Pam Herbst
Kevin Mahony
Steve St. Thomas
Peter Twining
4 Associates to be Nominated

Goal: To review job content with a view to enriching the interest level and quality of each job at Copley

Direction: Review the elements of job enrichment and their application to the Copley environment

Date: Report to Executive Committee by August 31

Response from Executive Committee by September 30

Implementation will be on-going

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