Colliers International Property Consultants

At Boston headquarters in August 1989, Stewart Forbes, CEO of Colliers International Property Consultants (hereafter Colliers), was preparing for the seventh annual Colliers conference to be held in Washington, D.C., in early September. Although pleased with Colliers' progress since its formation in 1979, Forbes believed it was far from realizing its full potential. Its future depended on the commitment of its members: independent local commercial real estate brokers who had found that an exclusively local focus made it difficult to compete in a real estate market becoming more national and international in orientation. The globalization trend in the real estate industry was expected to continue with the establishment of one European community in 1992. Brokers would be needing up-to-the-minute worldwide information, for clients often needed help locating or disposing of property in distant markets. National brokerage companies like Coldwell Banker and Grubb & Ellis emerged to meet clients' demands for sites in other states. And accounting firms, investment banks, and management-consulting firms were promoting their analytical and financial acumen to gain access to corporate CEOs and CFOs and to position themselves as advisors, rather than brokers, to control major real estate transactions.

Pressured by clients and this increased competition, local real estate firms were forced to choose. They could sell out to a national company and relinquish their autonomy. This option seemed the least appealing, given the firms' entrepreneurial nature and the origins of many of them as family businesses. They could stay completely independent and, if capital was sufficient, open branch offices or send representatives abroad. Or they could forgo some independence and collaborate with other independent firms in a network like Colliers, which could allow them to maintain local autonomy while gaining national and international market coverage. The network also provided advanced information technology and electronic information-processing systems that allowed brokers to provide the consulting-style services their clients requested and competitors were supplying. Forbes believed Colliers' network structure made possible a flexible linkage of resources whereby brokers could respond quickly and customize services to clients' needs. Colliers focused more on expanding the services offered to existing clients than on gaining new ones. It gave clients access to worldwide information and services through a single contact who might be the broker from the client's hometown, a Colliers broker from the market the client planned to enter, or a team of Colliers brokers. When not participating in Colliers-related deals, local brokers handled local independent activities. Colliers functioned to increase interaction and the flow of information between firms. Information sharing and the formation of teams to handle transactions allowed

Research Associate Julie Gladstone prepared this case under the supervision of Professor Nitin Nohria as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

Colliers to overcome the functional and geographic limitations of local brokers while capitalizing on their local knowledge. As Forbes stated:

> A large part of Colliers is the local relationships and the knowledge developed from a long-term commitment to a community by a local firm and its brokers. The broker is not a branch manager moving in and out with a national company but someone who's apt to be on the chamber of commerce or the board of the local church and have gone to school with key players in the community. The real estate business is driven by knowledge of who the key players are, and some social or educational association with those players is an advantage.

The foundations were in place for Colliers to soar. With 34 firms and 97 offices in 12 countries (including Australia, Japan, England, Canada, and the United States), Colliers had broad worldwide representation. Each of Colliers USA's 26 firms had technology enabling brokers to access information about the experience and client base of other firms in the network and to provide consulting services for their clients. The firms who joined were proven winners in the industry and in 1988 had conducted more than $10 billion in annual value of transactions and services, of which roughly $100 million was generated in the United States through Colliers deals. The volume of referral commissions in 1988 reached $2.5 million, a 260% increase from 1987. Between 1986 and 1989, intraoffice referrals increased by more than 100% each year. During the first eight months of the 1989 fiscal year, the average revenue generated by each firm through Colliers referrals skyrocketed—up 157% from 1988. The main sources of business were companies needing office space due to consolidation of firms involved in LBOs, restructuring, and foreign investment. Forbes' 1989 target for revenue generated through referrals was $3.5 million.

As the network expanded and grew, the basic problem of gaining members' full commitment persisted. Colliers needed to balance members' entrepreneurial, individualistic spirit with the organizational goals necessary to deliver consistent performance and develop market presence. There were tensions within Colliers because of the ambivalence of commitment and dual allegiances of some members. Given conflicts of interest within and between firms, the feasibility of a network structure was questioned. Colliers had traditionally depended on personal relationships to generate commitment; it had few formal control systems. Questions arose: How did one control an entity with a network structure? Would the network withstand expansion, or would Colliers have to make choices about consolidating its structure? If Colliers maintained its decentralized structure, in what ways could it grow without creating tensions or diluting quality? Could Colliers act as a single entity and pursue growth in an area that did not necessarily concur with all members' interests? To what degree should a majority impose requirements on a dissenting minority? If all decisions required consensus, how did one make difficult decisions and enforce them? Since the resolution of these issues would affect the firm's future, they were the chief issues Forbes had to contend with at the international conference.

Company Background

Colliers was created by the merger of two real estate associations on opposite sides of the globe. The forerunners of the U.S. branch were a dozen CEOs from all over the country who had met informally for several years to discuss issues in the real estate industry. In October 1979, keen on the concept of a residential property network, they founded American Realty Services Group (ARSG), Inc. Forbes, a longtime friend of some of the CEOs, opened ARSG's first office and helped shape it into a commercial real estate federation.

While ARSG was expanding in the United States, Colliers was spreading from its home in Australia to the Far East. Colliers started in 1967 when Robert McCuaig, a CEO of the Sydney real estate firm, joined two other real estate companies to form a national network. The name Colliers came from an English chartered surveyor, Ronald Collier, who helped create the Australian network. After developing Colliers into one of Australia's largest real estate operations, McCuaig headed to Singapore, Malaysia, Hong Kong, and Canada.

Canadian firms decided to join Colliers because they believed going international would differentiate them from Canadian firms that were becoming national. They also realized that to prosper they needed to have an image as "merchant banks of real estate" whose teams could handle many kinds of real estate investments. John McLernon, CEO of the Colliers Vancouver firm, helped build the Colliers network in Canada and introduce the Colliers philosophy to the United States. He described his first meeting with ARSG's American owners:

> At the annual owners meeting, I made my pitch for a global network. ARSG's response was quite myopic and lukewarm. They wanted the advantages of Colliers but didn't want to commit to the name or colors. I decided we had to be flexible. It was better to start with semireluctant U.S. partners. If we could get 20 cities to buy into Colliers' name and colors, then we were made.

ARSG's owners decided to join Colliers to differentiate themselves in their local market and expand their market coverage. As Forbes explained, "More clients had needs outside their local market which Colliers could lose if it couldn't respond to clients' servicing requirements." In 1984 Colliers and ARSG merged under the name Colliers International, a merging of cultures and not a change in ownership structure. Most thought the promotional benefits of merging were much more important than the service benefits. But the achievement of promotional benefits required firms to adopt similar logos and use the Colliers colors.

Within a year of the merger, Colliers was forced to re-evaluate its standing in the industry. A few prominent offices in the network defected to Grubb & Ellis. The Office Network, a rival, also lost some key players to national brokerage raiders. The two networks contemplated a merger, of which the major point of contention was how to deal with cities that had a firm in each network. An agreement was reached whereby they would allow both firms to stay in their respective networks for two years, and then a joint board would decide on a survivor. But the merger failed. Although it had slowed Colliers' progress, within three years the firm had recovered. (See **Exhibit 1** for average per-firm annual costs and revenue.)

The Changing Real Estate Industry

In the late 1980s, the marketplace drove the activities of leasing and developing property to record levels. Occupancy rents became a major expense for corporate tenants. Corporations that owned real estate soon became more aware of its value and more concerned with minimizing operating expenses. As corporations put more energy into making decisions and managing their holdings, they relied on brokers not just during transactions but also during the entire decision-making and management process. Some brokers developed long-term consulting relationships with corporate clients and offered more sophisticated and specialized services. A firm might specialize in office, industrial, or hotel brokerage. Thus, the broker's role was shifting from a transaction orientation to that of a professional consultant and from a generalist to a specialist.

One result was that brokers increasingly had to choose to represent either the buyer/lessee or the seller/lessor; it was more difficult to be an intermediary between the two. Historically, real estate brokers represented real estate developers or lessors and found tenants for them. Brokers could also act for the lessees, the sellers, or the buyers. In return, they received a commission from the developer, lessor, and/or seller. Now, with the shift from transactions to long-term client relationships, brokers began to represent either the lessor or the lessee and to charge fees for consulting and management services. Some real estate brokerage companies changed their compensation from strictly commissions to a salary/bonus plan to encourage the development of fee-based transactions. Other firms maintained an independent contractor status in which brokers were paid a commission. Wall Street financial institutions compensated their real estate executives with a salary/bonus plan averaging 40% of sales revenue. Most Colliers firms followed an independent contractor system, in which salespeople[1] received a commission of 50%-55% of the revenue generated from a transaction. National companies also retained the independent contractor status; their brokers generally received 50% in commission. Top producers could make $500,000 or more annually, but the average was closer to $80,000, and some brokers struggled to cover desk costs of roughly $45,000 per agent.

National real estate companies accounted for 22% of the real estate market; networks constituted 25%. (**Exhibit 2** lists major national real estate companies and networks.) The dominant America-based real estate networks included Colliers, the Office Network, and the New America Network. According to Forbes, Colliers and the Office Network shared a similar philosophy of network expansion: both were concerned with adding firms selectively. In contrast, the New America Network, in expanding, sought to add "as many dots on the map as it could" and thus had more than 100 members. Whereas Colliers was a break-even entity whose sole purpose was to generate profits for its members, the New America Network was profit-oriented and planned to sell the corporation on the stock market.

Colliers: The Organization

Forbes shared his philosophy of managing Colliers:

> I consider my role more that of a coach: to bring out the best in my players. The key to a good team is both individual talent and how well specialists appreciate each other and can be motivated to work cooperatively. Colliers creates a distinctive pool of real estate skills and experience. With minimum requirements, it makes these resources easily accessible. Colliers can be either the fertilizer that nurtures the growth of its participants or hogwash. The former demands a mutual respect of one another's experience and the confidence to promote or cross-sell one another's skills.

[1] A salesperson could be either a licensed real estate broker or licensed real estate salesperson. A broker's license required a certain number of years of schooling and experience in a brokerage firm. A broker could work completely independently; a salesperson had to be affiliated with a firm to sell or lease property.

Structure and Governance

Colliers included Boston headquarters and local Colliers affiliates, which were grouped into North America, the Pacific Rim, and Europe. (See **Exhibit 3** for a chart of Colliers' organizational structure.) Headquarters had a minimal budget and staff, including President Forbes, a marketing director, a manager of information systems, a research department, and an office manager. Each Colliers firm contributed a fee that supported headquarters and the production of promotional materials. Upon joining Colliers, each firm had to purchase a share of stock in it. For 1989, annual dues ranged from $14,700 to $30,400, depending on the population of the firm's SMSA (standard metropolitan statistical area).

Within each local firm, one person was named the Colliers office manager, responsible for Colliers-related tasks like organizing responses to informational requirements, distributing promotional materials, monitoring referrals from other firms, and maintaining records. In about 40% of the firms, the owner served as Colliers office manager. Most owners agreed this needed to change, for they were "too distracted" to handle Colliers duties. It seemed that office managers, even those not CEOs, were not compensated for this function. James Planey, the Colliers manager (and a nonowner) at Bennett & Kahnweiler, the Chicago affiliate, assumed the job because it was understood that each senior broker at his firm would assume one team-related responsibility, such as recruiting and training or serving as the Colliers manager. Planey stated his challenges as a Colliers office manager: "I am the link between Boston and my brokers. I've got to convince individual brokers that Colliers is worth spending time on. I want to show them how easy it is to use the information technology."

Information Technology

The old saying in real estate was that everything depended on three factors: location, location, location. For 1980s brokers, the adage was different: "It's now information, information, information," as the principal of the Baltimore affiliate, Wally Pinkard, said. Another Colliers member, Peter Pike, CEO of Damner, Pike & Company in San Francisco, described Colliers' two approaches to information use:

> There's a difference in emphasis among Colliers firms. Stewart is at one wing that talks about information technology as the key ingredient to a transaction and how technology allows you to be a global broker. At the other wing are most people in the network, who come from the purely brokerage side of the business and believe more in information sharing through meeting brokers in person. For them, the key to Colliers is the annual conferences, which allow people to develop personal relationships. I enjoy information technology and how it can give you a competitive advantage, so I'm more in Stewart's camp.

At Pinkard's Baltimore office, cabinets were stocked with documents recording all the firm's previous transactions. The computer system could access data on more than 60 office and 20 industrial properties that the firm was leasing exclusively; occupancy rates in several hundred office buildings in the city, Baltimore County, and surrounding counties; and hundreds of area companies that might be relocating or expanding. A phone call connected Pinkard's firm to the Colliers database, which was within a larger information system called Compuserve. Brokers dialed a number on their PCs to access Compuserve. Then, using a series of codes, they got the Colliers menu. The Colliers database within Compuserve included a profile of each member firm and information on more than 2,000 Colliers transactions and corporate contacts throughout the world. Anyone on the system could learn who had experience with a particular client or type of transaction.

The Colliers database within Compuserve was installed relatively cheaply, but receiving information from it was expensive. A report on a company typically cost $10-$12, depending on how efficiently users operated the system. Brokers could, of course, call Colliers headquarters, which would find the information and mail it. But this took more time. Headquarters also subscribed to a variety of information services, some of which the firms could access directly and others only through headquarters. (See **Exhibit 4** for descriptions of Colliers' information resources.)

Meetings

Colliers held annual international conferences and planned to hold semiannual regional sales associates conferences. Most Colliers associates found conferences valuable for meeting associates from other offices and sharing information, so valuable that about 70% of those attending paid for 50%-100% of their expenses. One sales associate described why conferences facilitated information sharing and referrals:

> In sales, we're always talking with people who really don't know us. The rejection rate is high. By coming to these meetings I get to know people. I can call them up, and they're friendly. I can say, "I have a person who's looking in Philadelphia, but it's probably not a real prospect; how much acreage is out there?" They'll give me the information.

To facilitate information sharing at conferences, Forbes distributed handbooks detailing the skills and experience available through Colliers—for example, a list of each firm, its specialties, brokers, and corporate relationships.

Control

Forbes managed both the domestic and international organizations and reported to the USA Executive Committee and the International Council. The USA Executive Committee governed the performance of Colliers USA firms. Each member firm had one seat on the board of directors and cast one vote to elect the USA Executive Committee at the start of every fiscal year, May 1. This committee, among other things, decided on firms' admission to or expulsion from Colliers USA. Firms had to be selected before applying for membership. Forbes interviewed the members of the prospective Colliers firm and then decided whether to recommend it to the Executive Committee, which could recommend it to the board for admittance. Forbes sought firms that showed leadership, long-time performance in the local market, and a team-oriented approach (in which brokers shared information).

Each year the Membership Committee conducted a recertification process focusing on three firms. The three criteria for evaluation were level of performance, fulfillment of Colliers' responsibilities, and commitment to increase the scope of client services. In the first, although Colliers did not specify what the firm should be doing, it set certain performance goals the firm should meet within its chosen activities. In the second and third, the committee considered a series of issues: Did the office manager distribute Colliers promotional material to inform the market of Colliers' capabilities? Did sales associates gather information from the firm's clients about their prospective real estate needs? Did sales associates make referrals to colleagues at other firms whenever possible?

Firms were rarely expelled from Colliers, but in 1986 Cross & Brown was asked to leave. Forbes explained:

> It was difficult when we had to ask Cross & Brown, a well-known real estate firm in New York, to leave the network. Its president, Dick Seeler, was a close friend of mine. But it was clear that after Cross & Brown was acquired by Metropolitan Life, it was no longer a good fit. Metropolitan was committed to becoming a national entity like Grubb & Ellis and would compete with other Colliers firms. And Cross & Brown was uncontrolled. It had about 120 brokers whose quality was not consistent. So the board voted Cross & Brown out. It was emotionally difficult: no one was willing to tell Dick he no longer had a role to play. We eventually persuaded him to get out. It was the first instance in which Colliers' needs took precedence over those of an individual company.

In general, though, control was achieved more informally, by trying to get common acceptance of objectives and through peer pressure and friendly persuasion. Forbes thought the key was peer pressure. Some office managers planned to implement more formalized control systems within their respective firms. Planey stated that he would set performance targets and systems to ensure that brokers fulfilled their Colliers obligations. At his firm, the broker would not get the commission on a deal until information about it had been reported to headquarters.

Colliers at Work

Several types of transactions occurred among Colliers firms. The most typical was when a local firm—who had a client wanting to expand into another market—referred the client to the Colliers affiliate in that market. The firm referring the client, the originator, was compensated for the referral, sometimes as much as 50% of the commissions from the completed transaction but usually 10%-15%. Or when a local firm with a building to lease wanted to know which companies were looking for space, it would gain access to the Colliers database to learn which companies were expanding and which Colliers firms had worked with them. The local firm might ask the relevant Colliers firm to introduce it to the client. Since each transaction was different, the commission split was negotiated case by case at the start of the deal.

Colliers headquarters published guidelines to help the referral's originator and receiver to determine the appropriate commission split. An originator who identified a prospect for the receiver but had no relationship with the client was to receive 10%. An originating broker that introduced a prospect with reasonable assurance that the client would work with the receiving broker was to receive 20%. The introduction of a prospect that required the originator to travel to the receiver's market and share the work to close the transaction was to result in a 50-50 split. Headquarters encouraged participating firms to discuss compensation distribution when the referral was begun. Colliers was paid 5% of the commission received by its participating firms.

The largest Colliers deal of 1988 involved the sale of the $45-million Cigna Tower in Dallas by the Colliers affiliate there, the Brosseau Co. The Colliers affiliate in Atlanta, William Law of Cauble & Co., telephoned Phil Brosseau to request that he answer the questions of Law's client, Cambridge Associates of Hartford, Connecticut, about the Dallas real estate market. Brosseau met with Cambridge Associates in Dallas and told them about Cigna Tower, which Cambridge Associates purchased 22 months later. The deal generated $750,000 in commissions, of which 5% went to Cauble & Co., 5% to Colliers, and 90% to the Brosseau Co. "Without the Colliers membership, we would have had zero chance of representing Cambridge," Brosseau said. "The network is probably responsible for as much as 40% of our commission income."

The Colliers network was based largely on the assumption that each firm was able to deliver the same quality of service as every other firm. It was unique among other networks and national companies in that a Colliers firm was not required to refer its client to the Colliers affiliate in the other market. A Colliers broker from Chicago remarked on this prerogative:

> Not having to use a Colliers firm when I go outside of my local area gives me a little more flexibility. You can't tell clients you've got the best broker in every market because the quality of Colliers firms may vary across markets. If I'm going to be a true Colliers player, I'll try to go to the Colliers representative in the other market. Usually, the Colliers firm is comparable to other firms in that market, so it is a reasonable recommendation.

But there was also no incentive to refer a client to a broker from a national company or another network, for that broker would not refer a client to a competitor or broker outside his or her organization.

Being a true Colliers player also meant fulfilling other firms' requests for minor transactions. It was important that the receiving firm agree to handle the request of the originating firm's client because doing so proved to the client that Colliers was a communal network that could handle all client needs, no matter where or how small, and enabled the originating firm to secure its relationship with the client.

Cooperation among firms was manifest also in other ways. Brokers might draw on the knowledge or skills of other brokers to substantiate their capabilities to the client. Education and the ability to put together teams that were more capable and credible than one person working alone were advantages of a network, but such teams rarely seemed to form. Forbes provided an example:

> A local Colliers firm wanted to handle a deal involving $35 million but had never sold a building worth that much. Its people were confident of their ability to handle the deal, but they needed to inspire confidence in the client. Their solution was to see who at Collier had done deals that large and ask them to come to the meeting with the client. At the meeting, they presented the Colliers members' credentials and made them part of the overall presentation so that the client perceived all participants as a team. The client gave Colliers the listing, and the building was sold. The Colliers participants from out of town earned about $10,000 in commission for a day's work.

Commitment and Maintenance

Despite Colliers' progress, Forbes and several other owners believed there were opportunities for significant growth. Colliers' development relied foremost on the commitment of its members, who had to be willing to cultivate client relationships and readily share information. In trying to increase their commitment, Forbes faced a dilemma: how to convince members of Colliers' value and to commit wholeheartedly to it when Colliers needed members' wholehearted commitment to prove its value? Clients needed to be convinced of Colliers' worth, but such worth first depended on its having clients.

One way members expressed commitment was to adopt the Colliers name and colors. Some firms resisted adding Colliers to their name because they feared diluting their identity in their local market. At a meeting at the sales conference, the North American owners planned to discuss the possibility of implementing a formal policy about adoption of the name and colors.

Information sharing also demonstrated commitment. For brokers to be willing to present the full scope and quality of their services to their existing client base, they had to have confidence in their peers. Brokers were reluctant to share information with other brokers; they doubted providing information would bring profits in the long run. Since most were individual contractors, they feared that sharing their expertise would make their firm less dependent on them and diminish their competitive advantage. Forbes addressed this issue: "We have to be very selective about the information we collect from sales associates. And then we have to present that information to the group so that the sales associates see it as a promotion of their expertise, not simply a documentation of it."

Another aspect of commitment was willingness to work through conflicts. One such conflict was between Jardine and Colliers in Australia. Jardine Matheson Holding Ltd. created within Colliers an Asian regional real estate network, which included Colliers Chi Wo in Hong Kong (100% Jardine-owned), Colliers Halifax in Tokyo (owned 50% by Jardine and 50% Pacific Architects and Engineers), Colliers Jardine in Singapore (owned 70% by Jardine and 30% locally), and Colliers Jardine in Taiwan (100% Jardine-owned). Jardine agents were required to act on behalf of Jardine principals, even if their actions conflicted with those of their Colliers affiliation.

At a meeting in May 1989, Jardine and Colliers discussed two controversial issues. The first related to ownership of the Thailand office, an independent firm that planned to sell 22% of its shares to either Jardine or Colliers Australia. Jardine, if denied, would maintain the right to refer business to its own Jardine office in Thailand, which competed with the Colliers Thailand office. Colliers Australia decided to withdraw its bid, and Jardine acquired the 22%.

Jardine and Colliers Australia also opposed each other in Indonesia. Both wanted to expand their coverage to include Indonesia, and each had different capabilities to develop that marketing. Jardine, which was already there, had a base of personal relationships to build on but no real estate experience. The Australians were ready to transfer technology and operating experience to help Colliers Utaba Indo, the Colliers firm in Indonesia, build its brokerage services. The principal of Colliers Utaba Indo believed the Australians were better able to help them. The principal active for Jardine considered this selection a loss of market share, which would require Jardine to build the real estate capabilities of the local Jardine office and compete with Colliers Utaba Indo.

Circumventing the network could also occur in the United States, as when the Colliers Cleveland firm moved into the Cincinnati market. West-Shell, the Colliers firm in Cincinnati, listed a property being sold by General Motors in Norwood, a Cincinnati suburb. West-Shell's marketing for the property included the promotion of Colliers International as a coordinated team, with West-Shell orchestrating the national and international marketing. Meanwhile, Ostendorf-Morris, the Colliers firm in Cleveland, which had a branch office in Cincinnati, pursued the listing without informing West-Shell. In the end, Ostendorf-Morris completed the transaction for General Motors, and West-Shell closed in Norwood. West-Shell was disturbed by Ostendorf-Morris's encroachment, as was Forbes, who stated that Ostendorf-Morris had breached Colliers' contract in spirit if not in actuality. He thought two Colliers firms competing in the same market presented an unfavorable image. He encouraged both firms to try to reach a resolution on their own. If this was impossible, then an arbitration plan would be devised.

When a firm purchased its share of stock in Colliers, it was granted exclusive rights to its hometown market, meaning the right to use the Colliers name and colors only in that local market and to be considered the sole Colliers representative in it. The exclusive-rights clause did not mean that a Colliers firm was prohibited from promoting its capabilities in other markets.

The Future

Using Colliers' Information to Its Fullest Potential

Forbes predicted that real estate brokerage would shift from being transaction-oriented to service-oriented as client requirements became more global. "You'll see good real estate brokers becoming consultants and advisors who, using the information services available, customize services and perform a broader range of functions for their clients." Forbes illustrated the need for functional expansion: "We have established the pipeline; now we have to pump things through it. Once you have geographic coverage, you can expand the services available."

In Forbes' view, this ability to quickly customize services for clients distinguished Colliers from national companies. They might have branch offices and local knowledge, but their transaction-oriented outlook restricted their flexibility. Trying to achieve efficiency and please stockholders, national companies standardized their services. In contrast, Colliers encouraged its members to customize their services.

Ian Stuart, a broker at Damner Pike, had established a consulting relationship with Oracle Co. Oracle called Stuart its "real estate account executive," for he was involved in all phases of its real estate strategy, from the decision to expand, through the location search and move-in stage, to the stage of ongoing maintenance of property. Damner Pike prepared a software package for Oracle, which had made Damner Pike its real estate broker and advisor because it had both local knowledge and, through Colliers, international coverage. Among Colliers clients, Oracle was unique in that if it planned to expand into another market, it wanted to contact only one person within Colliers—its account executive at Damner Pike, who would be familiar with its particular strategy and philosophy—and did not want to talk to the Colliers firm in the other market. It was Stuart's responsibility to arrange the deal for Oracle with the other Colliers firm. Bob Shaver, the president of Oracle's real estate division, stated:

> When we interviewed firms to be our real estate consultants, we asked ourselves, "Can this firm conceptualize what Oracle is trying to do and where it's going?" The real estate people become an integral part of our management team. They're right in the board room with us when we plan strategy.

Damner Pike was one of few Colliers firms that had begun to try to fill the full spectrum of a client's real estate needs. Colliers managers planned to meet more regularly to discuss how to expand the scope of services each firm provided the client. When owners tried to encourage offering a broader range of services, brokers in many of their firms resisted, for they thought the move threatened their traditional transaction-oriented approach. As Planey stated:

> At my firm, the corporate contact system and the prospect targeting system should be accessed daily; now they're tapped into once a week. I can say to the younger brokers, "You should ask clients where else they might want to locate in the future, so that we can build the contact database." But that does not mean they will ask. As for other services, Dun & Bradstreet is an excellent tool for the bigger project. But I doubt if we use it once a month. I am much more familiar with it now that I'm a Colliers manager. We will use it, I guess, ten times a month from now on.

Consolidation

Although the trend in the real estate industry seemed to be toward consolidation, Forbes was adamant in his support of a decentralized structure:

> The flexibility that makes it possible to respond quickly and customize services and products to different clients' needs is a competitive advantage best achieved by flat organizational structures. If market demands stabilized and solidified, you'd be led toward standardization and consolidation. But the market is not solidifying; it is constantly changing.

But a network structure posed control problems. It was difficult to compromise between following a certain pursuit as an organization and maintaining a flat structure of independent firms. Another problem was managing firms with diverse interests, skills, and commitment. As one owner commented, "Each company has a different philosophy. Some are better Colliers participants than others. Some are lackadaisical." Lackadaisical firms did not readily submit reports about closed transactions, did not update their firm's information in the database, and did not promote their Colliers capabilities.

Both Australia and Canada had merged, each for different reasons. Roger Cook, director of Colliers Adelaide, explained why Australia consolidated in 1975: "We became one entity because we couldn't get weaker firms to make the investments to grow. To be a long-term survivor we needed firms in the top three in their market. After the merger, we could deploy resources wherever we wanted. We pool resources to let the less profitable centers grow." The formula for the merger, devised by Price Waterhouse, was that each of the eight firms was evaluated on traits, like market share, commitment, and diversity in sales. They were then valued on this basis, and their owners were compensated accordingly. The owners were invited to become shareholders in the new consolidated organization; younger members could buy into the organization. In Australia, each firm's name consisted of Colliers and the firm's location, such as Colliers Sydney. All of the other member firms in the Pacific Rim had Colliers in their name, even though some were partly or wholly owned by other companies.

The merger process in Canada was different. Macaulay Nicolls, the firm that orchestrated the merger in Canada, was held until 1983 by a holding company in Vancouver, Edmonton, and Seattle that did 50% residential and 50% commercial brokerage. Macaulay Nicolls separated itself from the holding company, began to do 100% commercial work, and affiliated itself with Colliers. It then decided to build the Colliers network within Canada. Its strategy was to buy 50% of a prospective Colliers firm. Upon joining Colliers, each Canadian firm immediately had to adopt the Colliers colors and the name Colliers Macaulay Nicolls.

More frequently than their American counterparts, the international owners predicted that Colliers USA would merge. Many speculated about the future of Colliers USA and commented on merging in general.

Scott White, president of the Eastern Canada division of Colliers Macaulay Nicolls:

> In Canada we're very focused on the business we're in: real estate. There are interactive difficulties in Colliers USA because some firms do not focus on real-estate brokerage. The United States right now is very fragmented; I think it's heading toward consolidation. There is pressure from key people to go national. If Colliers firms won't play, Canada will move into the local U.S. market and merge with a firm there.

Roger Cook, director of Colliers Adelaide, Australia:

> The objectives in the United States are more simplified. They're focusing on name, color, logo, and bringing in new offices. Canada and Australia have resolved these issues and now, as united entities, have pursued new ones. I predict the United States will become one entity and then move on from there.

Ralph de Groot, manager of Colliers, New Zealand:

> In the United States the pressure to merge will come from those members below the owners.

Peter Pike, principal of Damner, Pike & Company in San Francisco:

> We're in markets where we compete with national companies, and we know we're better. We have better expertise and more consistent management. I don't see us wanting to become an office of a Coldwell Banker. The challenge here is to get the Dee Hock (former CEO of Visa) model. You're an independent bank, but you have Visa or MasterCard. That's more logical. You have a consistent name, a consistent color, and you may eventually have some kind of sharing, but you don't give up your independence.

Members' Reflections on the Future of Colliers

Although Forbes had his own forecasts for Colliers, its future ultimately depended on reconciling its members' multiple views. Colliers members did not agree on where Colliers was headed, and especially on whether to consolidate. Forbes believed diversity was both Colliers' greatest strength and greatest weakness. Several members reflected on Colliers.

Peter Pike, CEO, Damner, Pike & Company, San Francisco:

> One dilemma we face at Damner Pike is that as we get better and develop more of a track record of working with Oracle or other prominent companies, we could become like a Staubach and not need a Colliers. Roger Staubach's firm, which also works for Oracle, sends out representatives to handle deals in other markets, and he does only tenant representation. A structure like his gives you more control over the process.
>
> Stewart would like to see us become more of a team. He hopes one day the attitude will be: we're going to offer these services together; we have all these databases and skills. A Colliers consulting network could happen, but development of one is not a priority among sales associates. The main emphasis is, "I got a referral and made $750,000." That gets people excited, not "I'm a global broker and have all this information."

John McLernon, chairman and CEO, Colliers Macaulay Nicolls, Vancouver, British Columbia, Canada; and International Council chairperson:

> My philosophy is that as a manager you are a local entrepreneur. People realize that they don't lose their independence by joining us. So we have three to four merger talks going on all the time. Our preference for growth is to find good, solid local companies that see the advantage of being part of a larger company but

are still left with autonomy. At some time in the future, the Canadian Macaulay Nicolls may merge with some U.S. firms. My prediction for the United States is that the core of the 15 best firms will come together and take the Colliers colors, but keep their names too. If they do it right, they'll clean out some firms and get better firms to replace them. They would make the new ones more disciplined. There would be more American recognition of Colliers.

James Planey, Colliers manager, Bennett and Kahnweiler, Chicago:

There is a strong desire to get the system running and to show how referrals lead to profitable closed transactions. The awareness of the information systems and databases a year from now will be much greater. However, ultimately enough Colliers managers and brokers must believe the system will work for it to have an important impact.

Exhibit 1 Average Per Firm Annual Cost and Revenue (in thousands)

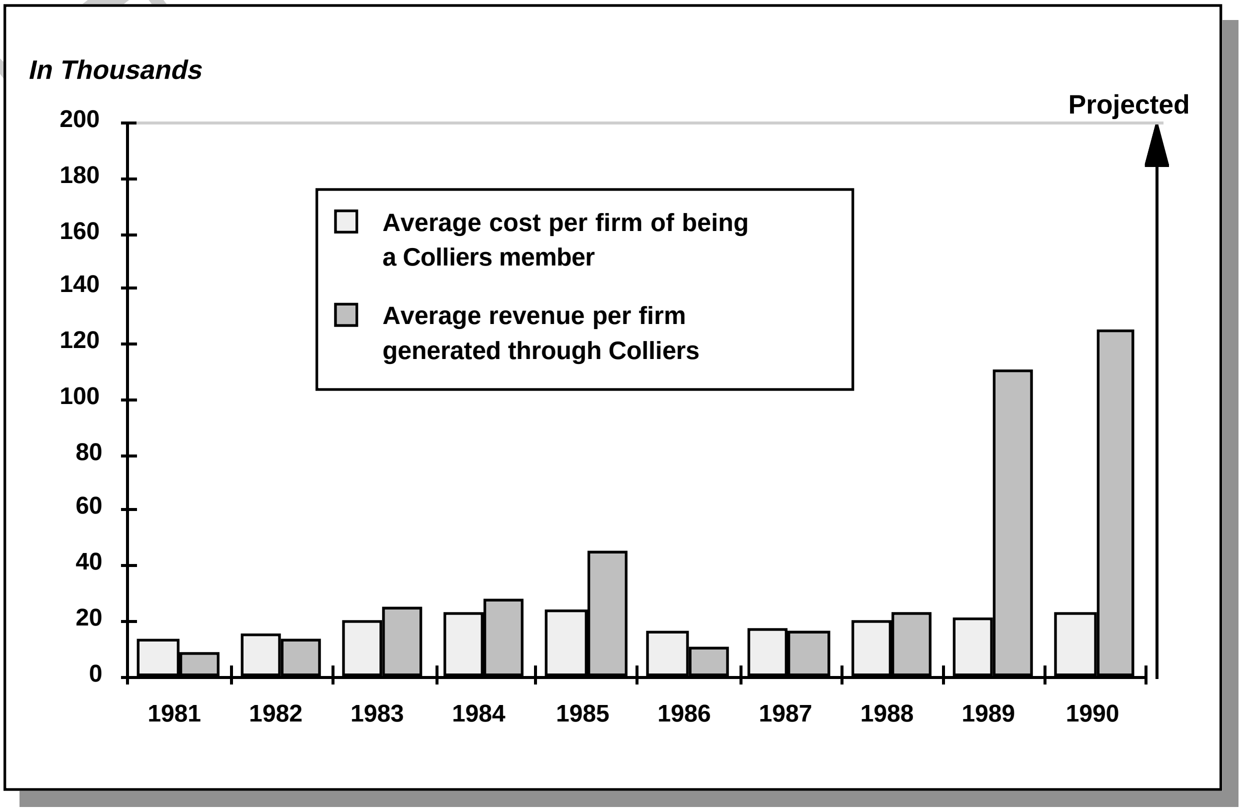
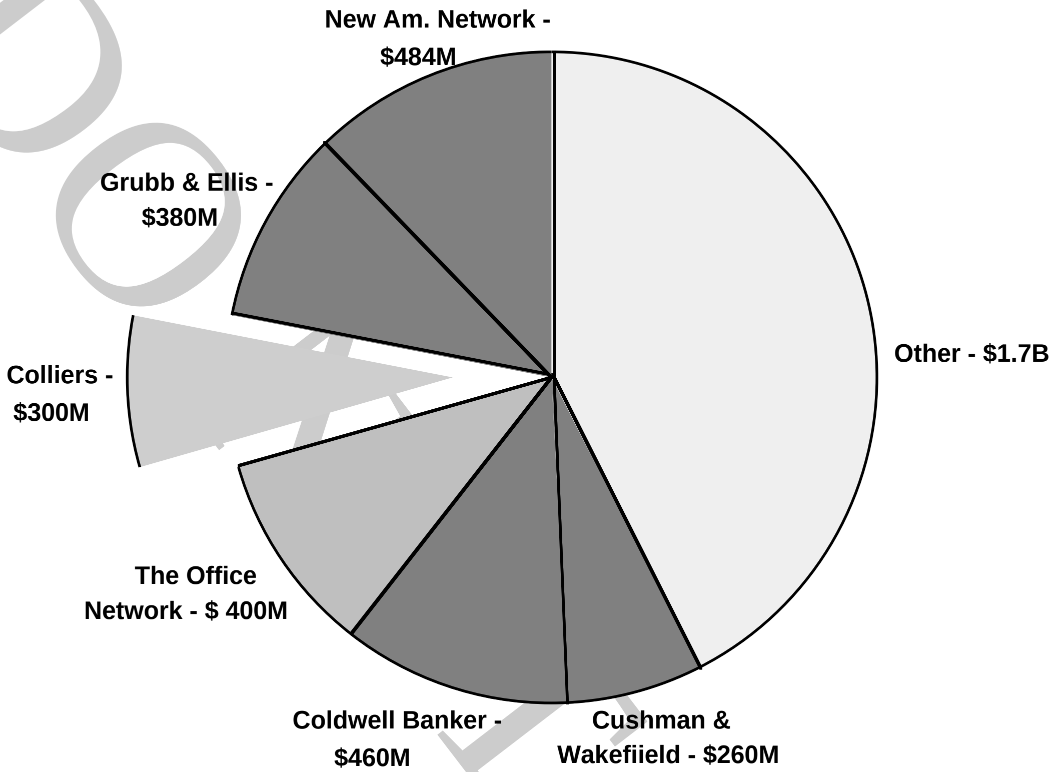


Exhibit 2 1989 Brokerage Revenue from N.A. Commercial Real Estate Sales and Leases (estimated $4 billion)



Source: *Commercial Property News*

North American Networks or Companies with Operations in More than 25 Markets

Networks	Markets Covered		Companies	Markets Covered	
Colliers	47	United States	Coldwell Banker	71	United States
	9	Canada		3	Canada
	41	International (Eur. and Pacific Rim)		1	International (London)
	97	Total		75	Total
Office Network	48	United States	Cushman & Wakefield	57	United States
	3	Canada		0	Canada
	8	International (Europe)		0	International
	59	Total		57	Total
New America Network	120	United States	Grubb & Ellis	53	United States
	1	Canada		0	Canada
	2	International (Europe)		6	International (Europe and Japan)
	123	Total		59	Total

European Competition with Offices in the United States

Jones Long Wootton: Houston, Los Angeles, New York, San Francisco, Washington D.C.

Richard Ellis: Atlanta, Chicago, Houston, Los Angeles, New York, San Francisco

Source: Colliers Headquarters records.

Exhibit 3 Organizational Structure

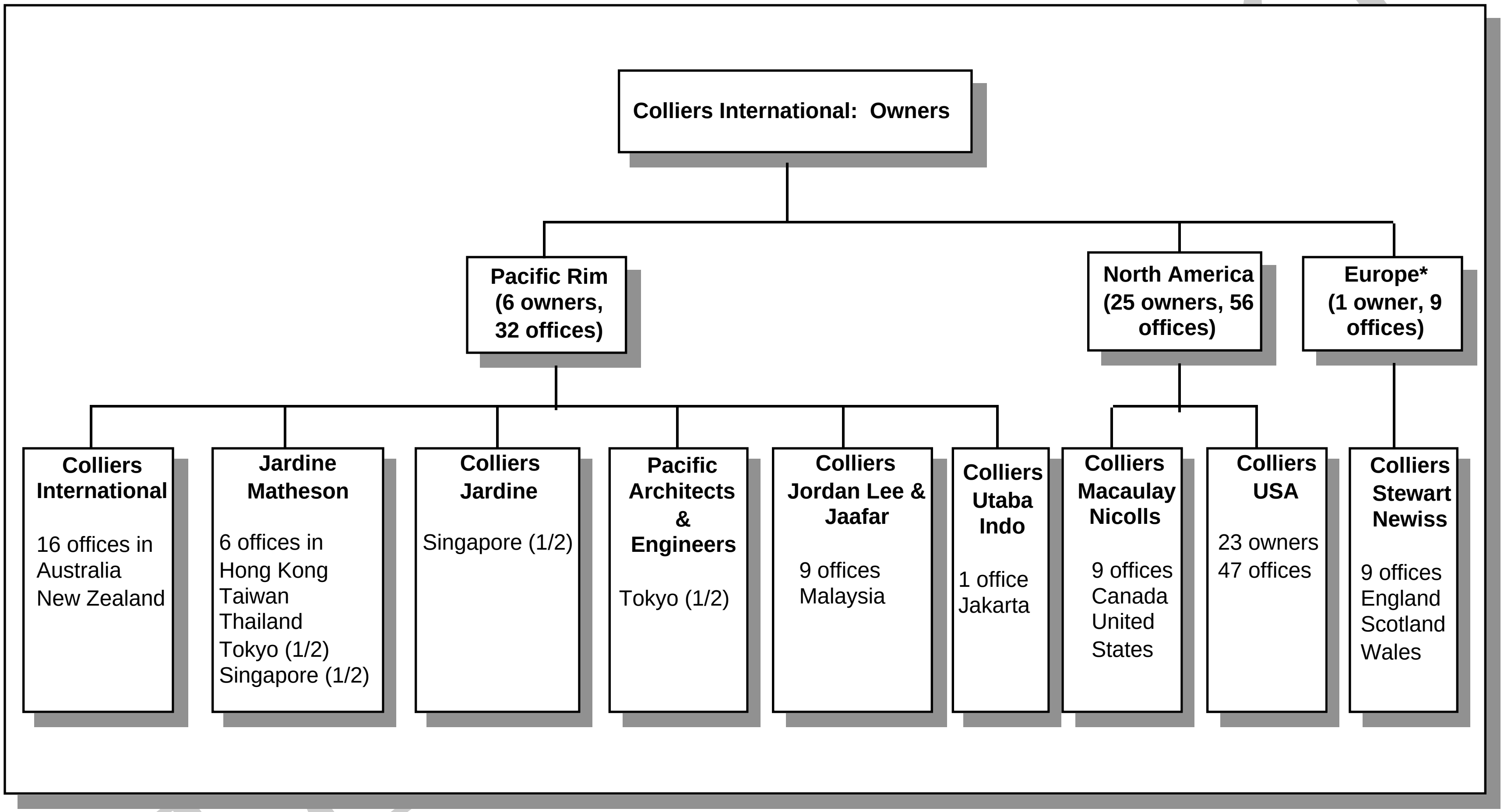


Exhibit 4 Colliers' Information Resources

Firm Description: List of profiles on each firm, document production, corporate relationships, community leadership, and membership in professional associations. These descriptions were summarized in the sales directory, which was distributed annually. Current records for each firm were kept in Boston, where access to them could be gained by telephone or fax.

Clients and Transactions Database: List of closed transactions completed by each firm. Identified whom within Colliers a client worked with and described the nature of the transaction completed by the Colliers representative for the client. Included more than 1,200 transactions. Access could be gained on-line electronically or by a telephone call to headquarters, and then faxed.

Corporate Relations Database: The ten closest client relationships of each sales associate. Those clients that had shown interest in Colliers or were likely to have needs outside the local market were identified and recorded in Boston. Included were 900 such relationships.

Disclosure Database: Reports on publicly traded corporations which would help associates obtain information, such as whether a company had subsidiaries overseas. If the company had overseas subsidiaries, then the representative might want to emphasize Colliers' international capabilities. Access could be gained directly or through headquarters.

Demographic Database: Data classified by country, state, zip code, and SMSA (standard metropolitan statistical area) or customized to a particular trade area by defining the distances from a specific intersection. Access gained through Boston headquarters. Historical and projected growth to the year 2010 on every SMSA within the United States. Some of this information was not available on-line and could be generated only by contacting headquarters.

Graphic Presentation Materials: Mapping programs to illustrate geographic coverage, market areas, and source and destination of referrals. They could be customized for a particular client and faxed or mailed to the broker for inclusion in a presentation. This work was done through Boston headquarters.

Resources Library: Located at Boston headquarters. Materials included US Industrial Outlook, with prospects for more than 350 industries; Urban Land Institute Market Profiles; Building Owners & Managers Association International Income/Expense Analysis for Office Buildings; Corporate Technology Directory, with 17,000 companies categorized by product and location; Dun's Business Rankings of public and private businesses; and directories of American firms operating in foreign countries, Japanese firms in the United States and Canada, England's top 500 companies, and Asia's 7,500 largest companies.

Dow Jones News Retrieval: Accessed through Boston headquarters. Included articles and reports found in *Barron's*, *Forbes*, *The Wall Street Journal*, and *The Washington Post*.

Dun & Bradstreet: Financial and descriptive reports on more than 9,000 companies.