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A skilled manager, strategic to real estate financing

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Abstract

The manager's skills is a critical factor that has immense influence on the organisation's ability to source funding for real estate projects. The contemporary manager in the real estate sector needs managerial talents to be able to access financing for real estate projects, given the complexities of the prevailing global financial markets. The aim of this paper is to identify the nature and type of skill-sets required by managers involved in sourcing funding for real estate projects. The methodology adopted is a desk review of relevant literature, systematic analysis of the manager and managerial skills sets. The study found that some of the skills required are innate but others need to be developed through training, education and experience. The findings shows that the manager and his team should obtain a comprehensive mix of human, technical, conceptual, political and financial management skills to continually have access to funding for real estate projects. The study contributes to the field by presenting a novel blend of manager's skills, fundamental to accessing funding for real estate projects. This study developed a skills funding matrix for accessing funding, which could act as a guide to decision makers on skills training needs and assessment for managers that are responsible for sourcing project funding for real estate firms. Recommendations for the industry and academia are proffered.

Keywords: Funding skills matrix; real estate finance; conceptual skills; financial management skills; human skills; political skills

Introduction

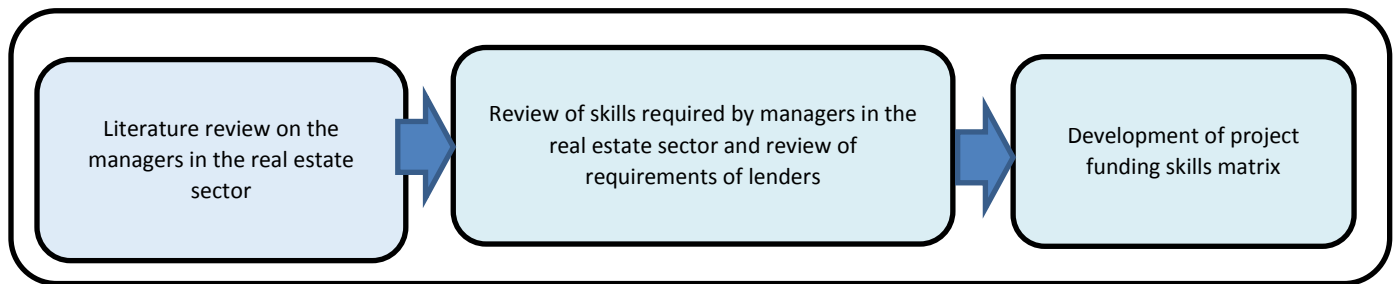
The problem of access to funding for real estate's projects remains a global problem (Moldoch, 2009). Arguably, a major contributor to this funding challenge is the lack of managerial skills, which leads to constraints in sourcing of funding (Ogbenjuwa et al, 2018). The nature and level of skills can be attributed to the amount of formal or informal training and work experience required to perform a given tasks and duties. The manager's skills in the real estate sector are in shortfall as compared to the needs. There is also a shortage in the type of experiences required for a contemporary manager with negative consequences for the real estate sector including limitations in accessing funding for real estate projects. The contemporary manager in the real estate sector needs managerial talents with complex skills sets which includes leadership skills, understanding of the global financial markets, ability to take advantage of the impact international economic coordination, entrepreneurial skills, ability to lead in multiple and virtual organisation (Fulmer & Conger , 2004). Enhanced managerial skills is increasing important as it helps to meet the demands of the financiers (Nitz, 1996; Rector, 2002).

A number of write-ups are in place, on the manager in the real estate sector, his roles and skills. However, specific skills needed by the manager to access financiers and funding for projects has not be adequately addressed. The increasing change and complexities in the built environment raises important questions about the nature and types of skills set required by real estate managers involved in sourcing funding for real estate projects (Dale & Iles, 1992).

Study Methodology

The methodology is based on three-stage approach. First, an initial review of literature on the managers in the real estate sector. Second, a review of skills sets required by managers based on studies by researchers and scholars documented in various academic journals and a review of requirements by lenders .Third is a development of the “project funding skills matrix” (figure 1).

Figure 1: Study Approach



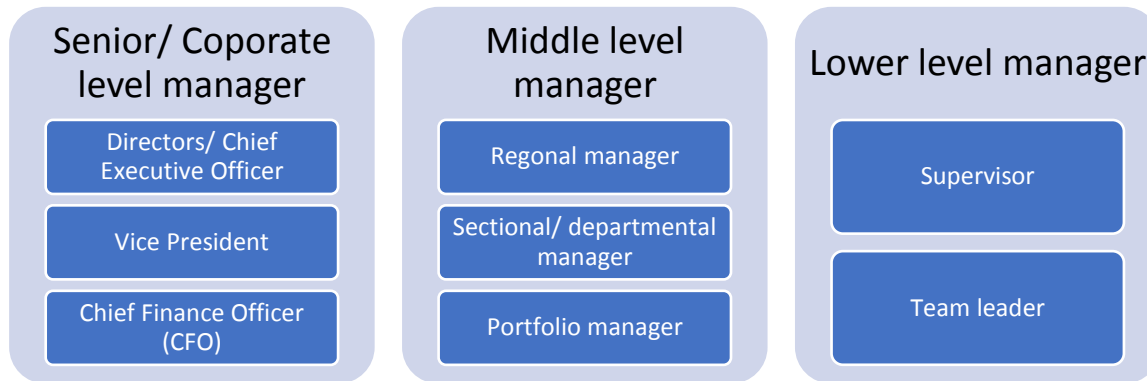
Literature Review

The Manager

The manager is someone who achieves results through others (Stewart, 1997). “The manager is the dynamic, life giving element in every business. According to Peter Drucker, without leadership of a manager, ‘the resources of production’ remains resources and never becomes production”. A manager in the real estate sector is the provider of the enabling environment where individuals will work efficiently to achieve a series of functions (Weirich and Koontz, 1993). The real estate manager therefore utilises and integrates personnel, money, material and methods for the production and maintenance of real estates.

The manager for the purpose of this study is defined as the senior, middle and lower level managers (Egbu, 1994). The senior managers are at corporate level and make the strategic decisions for the firm. The middle managers includes branch, regional, sectional, departmental and portfolio managers and lower level managers include supervisors and team leaders (figure 2).

Figure 2: Three levels of managers



Manager's effectiveness at every level is one of the major factors for organisations to remain effective (Muthuveloo et al, 2017). In trying to understand the manager, a number of authors have written on the tasks the manager does as well as the approaches. This provides a good understanding of the possible skills needed for such task.

Type of Skills Required by Managers

Earlier work by Mann (1965) explored a three-skill approach focusing on technical, human and administrative or conceptual skills necessary for the effectiveness of a manager. Katz (1971) argued that if managers were to perform effectively in their roles, they needed some managerial skills and followed a similar classification into technical, human and conceptual. Relatively recent research on managerial skills for the real estate classified the manager's skills into conceptual, human, political and technical skills (Sunindijo et al, 2017).

The technical skills involve specialised knowledge, analytical ability and specialisation in the job roles and responsibilities. Often times, some individuals are promoted to managerial positions because they have showed some level of technical competency in their respective fields (Muthuveloo et al, 2017). Managers especially at the lower and middle levels should have technical skills because it enables them to train, direct and evaluate subordinates in performing specific task (Muthuveloo et al, 2017).

In contrast to technical skills, the human skills is primarily concerned with people). The human skills encapsulates the ability to work cooperatively with others, to inspire enthusiasm, to motivate, get the best out of people and build trust (Muthuveloo et al, 2017). Human related skills also include, team work, dealing with conflict, leadership, and creating enabling organisational climate. Findings from studies have shown that human skill is the prognosticator of managerial effectiveness (Boyatzis, 1982).

While human skill focuses on people and technical skills on things, conceptual skills focuses on ideas and concepts. Conceptual skills entail seeing the organisation as a whole and the need for interdependency of the firm to the industry, community, and political, social and economic forces of the nation (Mustapha, 1990). Conceptual skill is central to creating a vision and strategic plan for an organisation and is very important to senior manager level. The uniqueness of Katz's (1971) analogy is that skills can be taught.

Emotional intelligence is a particularly important skill the manager should have. Meyer & Salovey (1990) argued that emotional intelligence is a managerial skill, which holds a precise understanding of emotions of one self and those of others. It entails the manager having to understand the impact of their emotions on their actions and those of others. It entails ability to perceive, understand and effectively manage emotions in order to achieve personal and

organisational effectiveness (Muthuveloo et al, 2017). This skill enables the manager to empathise with subordinates, manage interpersonal skills and treat subordinates as individuals with unique needs and abilities.

The global economy in contemporary times require managers with more complex and holistic skills set. Fulmer & Conger (2004) argues that managers need greater technological literacy, great understanding of the global financial markets, fluency in multiple cultures, entrepreneurial skills, extensive network of varied relationships, evolving leadership skills and the ability to lead in increasingly virtual and disaggregated organisations. Muthuveloo et al (2017). Manager must exhibit superior communication and computer skills to be effective and competitive. The contemporary manager should have communication skills that evolve with the trend in the society. Managers can lead only through effective communication. With the advance of technology, there is greater innovations in how a manager should communicate.

The manager also needs financial management skills to be able to access funding for their projects in addition to the other skills sets. These skills are considered amongst the critical management skills (Grizzle, 1985; Trimble & Trimble, 1993) and includes budgeting, analytical, cost-benefit analysis and taxation skills. A detailed financial management skill is contained in the funding skills matrix (Table 1).

Requirements by lenders

This study will develop a funding skills matrix that will aid decisions makers in ascertaining the skills they need to be able to source funding for real estate's projects. However, to do this effectively, there is a need to understand what financiers require in order to avail funding to real estate firms.

Lenders often need a number of requirements from debtors, which will make them comfortable in parting with their funds for such projects. Traditionally lenders commonly use ratios, debt to worth and cash flow analysis to determine repayment ability of potential customer's repayment ability. However, in contemporary lending, a lot additional is required because of the increasingly complex nature of the financial markets (Rector, 2002). Some of the things the lender takes into consideration before lending are as follows.

- ***Financial condition of the company and repayment histories.***

To analyse a company's current situation, lenders need to know how the company has reacted to downturns, review its forecast and understand why the client needs the requested sum (Rector, 2002). Lenders also look at the long-term records of accomplishment of the firm to determine if it can repay the loan if availed. Lenders generally do not like re-financing to pay –off accounts that are past due as they are prone to further default.

- ***Risk analysis.***

Lenders fundamentally look at three areas of risk to justify lending and they are credit risk, collateral risk and structure risk. To mitigate against credit risk, the lender looks at three financial statements, which are balance sheet, income statement and cash-flow statement. These books of account are then analysed using various ratio analysis tools like turnover ratio, debt-to-equity and current ratio (Nitz, 1996). These ratios will indicate the financial health of the company at different points in time. While the income statement will help the lender in analysing the revenue, income, profitability and margin trend of the company. The cash flow statement helps the lender determine how a company generates cash. It will help the lender ascertain if the company generates sufficient cash to meet up with its obligations.

Collateral risk encompasses the type, age and value of collateral. The lender analysis the potentials of selling the collateral property as well as the risk of keeping it. There are various collateral types acceptable to lenders for real estate projects and they include the real estate to be financed, stocks, equipment and other investments. The risk

can be mitigated through how the loan is structured ; by allowing, too many skips in payments, reduced payments or over-extending credits could be a potential risks that may crystallise (Charles and Mori, 2016).

- **Sources of repayment**

Lenders traditionally look at three basic repayment sources and they are cash flow, guarantor and liquidation of collateral (Rector, 2002). The cash flow will enable the lender know if the developer can liquidate the proposed loan from his current financial position and / or in addition to the increased revenue from the project. Furthermore, a strong guarantor can support debt repayment prospects. Liquidation of collateral is the least preferred by lenders. It is often considered as a back-up source of repayment.

- **Securement of contract by sponsors**

Funding for very large real estate projects is often available after the projects sponsor secures contracts for substantial part of the project (Greewald & Hilen, 2005).

Skills required by managers to be able to source funding for real estate projects / development of a project funding matrix

To be able to meet up with the demands by financiers as stated above, the manager and his team need a robust skills set to meet the demands of the financiers (Ogbenjuwa et al, 2018). This will arguably be a combination of human skills, technical skills, conceptual skills, political skills and financial management skills.

- **Human Skills**

The manager harnesses the human skills in achieving successful execution of a real estate project with effective communication, motivation, teamwork and mutual trust (Muthueloo, 2017). This study has gone ahead to add diligence and discipline to the human skills. Winston Churchill said, “the price of greatness is responsibility” (Oyedepo, 2017). Discipline implies possessing a sense of mission in the pursuit of a task; while, diligence simply means hard work (Oyedepo, 2017). Humility is an added skill to the human skills, which is often not considered. In modern management, managers should consider workers as their customers. Humility manifest in different ways and a humble manager can admit mistakes and is not afraid to ask for advice from subordinates as well as listen to suggestions from subordinates and acknowledge their inputs (Rojas, 2013).

- **Technical Skills**

Technical skills provide incremental value to the managerial skills and performance especially at the lower and middle management cadre. Technical skills at this level of management positively affect production, subordinate job satisfaction and subordinate ratings (Hysong, 2008). Technical skill is valuable to managers as a source of credibility and a means to identify with subordinates. A manager needs to effectively supervise Architects, Engineers and other professionals to facilitate project execution, however, to supervise these groups of people effectively, the manager and /or other members of his managerial team need a degree or training in these skills sets (Hysong, 2008). Previous project execution, which needs technical skills of the manager, constitutes a part of the historical traits financiers look out for as conditions precedent to funding (Rector, 2002).

The need for technical skill is dependent on the level of management (Katz, 1971). However, it will be an advantage if the senior manager acquired technical skills at some point in his career path. Notably research suggest that work group with technically trained managers perform better than groups whose mangers are not technically trained (Murphy et al, 1992).

Technical skills enhances managerial performance, which then leads to enhanced production output, subordinate job satisfaction and subordinate perception of managerial performance (Luthans, 1988). A real estate/ construction firm could be certified technically skilled if it has a blend of all these skills.

- **Political Skill**

Political skills are skills needed by managers to influence all stakeholders in the path of his job (Montalvo & Byrne, 2016). Political skills in the light of real estate funding are skills the manager needs to influence all stakeholders, which includes, subordinates, superiors, government agencies and the financiers. These skills are innate as well as taught (Brouer et al, 2015). Political skill is an important antecedent of performance outcomes, particularly when increased social interactions are part of the manager's job requirement (Banister & Meriac, 2015).

Political skills includes social astuteness, savvy and positioning (Mintzberg, 1985). Social astuteness is the skill to observe and accurately comprehend others and keenly attune to divers social situation. A manager with political skills should be skilled in agreeableness, which signifies that he is sympathetic, kind, altruistic, generous, fair and eager to help others (Banister & Meriac, 2015). A manager is politically skilled when he has social intelligence. Social intelligence is the ability to understand and predict other people's behaviour and feelings (Banister & Meriac, 2015). Managers in the real estate sector are encouraged to obtain political skills to succeed in their organisations as well as succeed in accessing funding for their projects.

- **Conceptual skills**

Conceptual skills are the "thinking skills" needed by managers. Katz's referred to the conceptual skills as the cognitive skills. He referred to them as logical thinking, analytical abilities, inductive and deductive reasoning (Mahdavian and Mostajeran, 2013). Conceptual ability is to integrate and apply obtained knowledge through the power of analysis (Osigweh and O'Daniel, 1990). Conceptual skill is the ability of the manager to use information to achieve knowledge, derived from data originating from various sources (Este, 2012). The derivation and use of knowledge is key to human advance and success in any field inclusive of real estate funding and the responsibility of the manager.

- **Financial management skills**

The manager also needs fundamental financial management skills to be able to access funding for their projects in addition to the other skills sets. These skills are amongst the critical management skills (Grizzle, 1985; Trimble & Trimble, 1993). A detailed financial management skill is contained in the funding skills matrix.

Project funding Matrix

This paper draws on generic skills to develop the, "project funding skills matrix". This is the composition of some of the various skill sets needed by the manager and his team, which will aid their access to funding for projects (*Table 1*).

Table 1: Project funding skills matrix inspired by Boyatzis (1982), Katz (1971), Egbu (1994) and Grizzle (1985)

PROJECT FUNDING SKILLS MATRIX					
SKILLS SETS NEEDED THROUGH OUT PROJECT LIFECYCLES					
SKILLS SET THAT DETERMINES THE ABILITY OF THE MANAGER AND HIS TEAM TO SOURCE FOR FUNDING FOR PROJECTS	HUMAN SKILLS	TECHNICAL SKILLS	CONCEPTUAL SKILLS	POLITICAL SKILLS	FINANCIAL MANAGEMENT SKILLS
	Team work	Quantity surveying	Logical thinking	Social astuteness	Cost benefit analysis
	Conflict resolution	Architectural skills	Analytical abilities	Savvy	Budget processes (political and organisational aspects)
	Leadership	Fluency in multiple cultures	Deductive reasoning	Positioning	Budget preparation (operating , capital, cash budgets)
	adaptability	Construction safety	Decision making and problem solving abilities	Interpersonal influence	Financial trend analysis
	collaboration	Technological skills	System skills	Networking ability	Cost-effectiveness analysis
	Emotional intelligence	Virtual skills	Strategic planning	Self-awareness of social setting / understand social norms	Taxation (administrative & managerial perspective)
	Strong work ethics	Environmental analysis	Crisis management	Agreeableness	Expenditure forecasting
	Communication	Design skills	Risk management	Social intelligence	Cash management
	Self confidence	Construction skills	System skills	Conscientiousness	Expenditure forecasting
	Time management	Procurement skills	Information literacy	Network ability	Capital investment analysis
	Planning skills	Project management skills	Organising	Positive impression management	Debt management
	Diligence	Quality assurance	Change management	Apparent sincerity	Fiscal impact analysis
	Discipline	Negotiation			Personnel budgeting

	Humility	Financial markets		Auditing
	Logical thinking	Engineering skills		Financial systems Information
		Teaching & training skills		Computerised financial modelling
				Cost accounting
				Interpretation of financial statements

Conclusion

The fundamental factor, financiers whether debt, equity or mezzanine fund providers look at, is the return on their investment and the safety of their funds. This can be achieved in the real estate sector if there is construction productivity. The interplay of managerial skills, plays a significant role in increasing productivity and as such is significant to the ability of managers to source funding for projects. This study has classified managerial skills needed to access funding from financiers, into human, technical, conceptual, political and financial management skills. ***A single manager will not have all the skills mentioned, however, in contemporary real estate financing, it is recommended that managers build up teams with a composite of these skills.*** This will aid their ability to source funding, productively use such funds and pay back to financiers as and when due.

The study recommends that real estate firms continually improve the skills of the managers and workforce through mentoring, education and training, as this will enhance the organisation's ability to sourcing funding for their projects and effectively use such fund.

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