



▶ Chairman Doug Frye stands tall among Puget Sound real estate leaders, helping to build Colliers into a global brand.

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PHOTOGRAPHY BY RICK DAHMS



# ← DOUG FRYE: CHANGE FROM THE BOTTOM ↑ UP

By emphasizing an entrepreneurial spirit at the local branches, **Colliers'** chairman sets a new course for the commercial real estate giant.

**O**N THE 53RD FLOOR of Seattle's Two Union Square tower, Doug Frye's corner-office view makes the city's skyline look like a miniature model. The chairman of the entire Colliers International real estate empire can see the city's skyscrapers packed into a north-south strip between Puget Sound and Lake Washington, with the Space Needle as a thin, white cocktail toothpick. ¶ Pick one of those signature skyscrapers and chances are that Colliers has some interest in it. The brokerage, appraisal, consulting and property management firm manages 2.24 million square feet of commercial space in the Puget Sound area—including seven large properties downtown—and employs 150 people in the region. ¶ "When I joined Colliers, I had the opportunity of picking a city [for its headquarters]," says Frye, dressed comfortably in a dark suit and blue shirt (minus the tie), sipping a bottle of water. "There was some strong interest for Vancouver, B.C., actually, but I chose Seattle." Frye lists the reasons: intelligent people, a strong philanthropic environment and a healthy population. "Year in and year out, Seattle tops all the lists," he adds. "It's just a great city. When the outlook is so bright for a city, you can go six months without the sun, right?" ➤

► By working his way up through the industry, Frye has developed a set of priorities that are a little heavier than merely closing the next deal. Those values include the establishment of a company-wide collaborative culture and a recognition of the environmental implications of managing office buildings.

“Doug is very well respected in the industry,” says Kip Spencer, co-founder of OfficeSpace.com and chief strategy officer at NuMark Office Interiors. “He’s a bright guy with a lot of energy. The buzz within the industry is that Colliers has developed a great niche, and Doug has built a very respected position in this marketplace for Colliers.”

## EARLY ROOTS

FRYE ENTERED the industry in Chicago during the early 1980s, after graduating from South Florida University in Tampa with degrees in finance and marketing. Hired by Grubb & Ellis, he moved to Chicago with his college sweetheart and future wife, Linda, to work as an analyst.

While he enjoyed the challenges of his new position, Frye soon began to pursue a career path in the commercial real estate industry beyond number crunching. He began working at an investment brokerage firm and, at the same, started buying and co-managing Chicago-area real-estate holdings with Linda. After about five years, this experience taught him the ropes of acquiring and managing property, which was useful when the Scheidler Group offered him a job handling acquisitions and dispositions nationwide.

In 1989, however, the highly cyclical industry took a hit. “The bottom fell out of the market,” Frye says. “The lines of credit for most investors were pulled, and there just wasn’t any capital in the market.” Grubb & Ellis tempted him back with a stable job running its investment division in the Midwest.

Though he was happy to take up again at the firm where he had started, he wasn’t entirely happy with the organizational structure. “I really believed that it should be a partnership between the organization and the professionals in the company,” he says. This perspective continues to guide Frye’s work style today.

Frye remembers being frustrated and “very vocal” about his concerns after his return to Grubb & Ellis. “I was frank,” he adds. “I said, ‘There’s a better way to do this. I don’t think we’re addressing the needs of our clients as best we can. I don’t think we’re addressing the needs of a lot of our professionals in the organization.’ The CEO at the time said, ‘Great. Why don’t you step up and run the financial services group?’”

Frye took up the challenge and turned things around. Under his direction, the group, which included 211 employees in four different divisions (investment properties, the Landauer Realty Group, institutional service and capital markets), increased revenues from \$21 million in 1996 to \$70 million in 1999. Frye also led his employees through a reorganization that created product specialty groups more tailored to clients. He went on to spearhead development and implementation of the company’s first national listing system. Repeat business from institutional clients quintupled between 1997 and 2000.

## POWER TO THE PEOPLE

IN LATE 2000, FRYE’S ACCOMPLISHMENTS caught a recruiter’s attention. Vancouver, B.C.-based Colliers Macaulay Nicolls (CMN), the largest member firm of Colliers International’s partnership of real estate companies, was looking for a new president and COO and asked if Frye was interested in the job. He was interested, if only to test some of the beliefs he had developed at Grubb & Ellis with a larger company like Colliers.

“It was important to get somebody who exemplified the same type

of qualities that the management group had within the organization,” says John McLernon, who was co-owner, president and CEO of CMN for 25 years before stepping down in 2002 and selecting Frye as his successor. Today, the semi-retired McLernon is busy working with CMN in Vancouver, B.C., and sitting on the boards of six different businesses. “Doug had integrity, trust and a great feeling of empathy for people and life in general. I really felt he had those qualities, and could help drive the company to the next level.”

One of the first changes Frye wanted to make in the new position was to create a decentralized, non-hierarchical organizational model. As far as Frye was concerned, individual offices would have a say in the company’s direction. The number of directives coming down from management would be minimal, and they wouldn’t be made without input from branch offices.

“People in the real estate industry are very entrepreneurial by nature,” Frye says. “The best and the brightest really don’t want to work for someone. They really want to partner with somebody so they can provide better service to their clients, accelerate the success of their clients and, as a result, accelerate their own success.”

Frye has helped give the local offices more say in how to serve clientele better, says Rob Aigner, senior vice president at Harsch Investment Properties. Aigner spent 11 years at Colliers and was with the company when Frye started as president.

“[Frye] takes good thinking from branches and institutionalizes it,” Aigner says. “That’s really a breaking down of the ivory tower.”

As executive managing director for Colliers in the Puget Sound region, Aigner oversaw operations of the company’s Seattle, Bellevue and Tacoma brokerage offices. He describes Frye’s decision to delegate to the company’s branch offices as “revolutionary” in the industry, although it shouldn’t be, he adds, considering the ubiquitous presence of a firm like Colliers. “Running a global company, you have offices all over the world,” he says. “There’s a tremendous amount of local customs [to consider] and decision making that has to occur. I think Doug recognized that and brought forth a different style.”

One example of this philosophy is the sharing of information between offices in different cities.

Frye implemented a sales training orientation for brokers and also created a new position, “chief knowledge officer,” whose task was to improve training and education of Colliers employees. “Doug did extremely well in focusing on education for brokers at Colliers across all different lines of business,” Aigner says.

## RIGHTING THE SHIP

STILL, BEFORE ANY OF THESE ideas could take shape, Frye had a more conventional task: to balance the books. When he joined the company seven years ago, the industry was going through a downturn due largely to the dot-com collapse of 2000. CMN had projected a \$7 million revenue shortfall for 2001.

“The industry was at a low point,” Frye recalls. “There was a real lull. Revenues were off. Capital markets had been shut off. There were a lot of open buildings. Most companies in our industry were projecting large losses, not just off of profitability, but literally budgeting to lose money. There were a lot of layoffs going on [in the industry]. Very quickly, my job was to stabilize the ship.”

Frye recalls phoning 40 regional managers and laying it out plainly: either the CFO could dictate budget cuts and layoffs, or the managers, who had a better understanding of operations in their respective regions, could come up with a plan. The managers, Frye says, were up for the challenge. “They were all over the idea,” he says. “They came back in five

# FRYE'S GLOBAL ITINERARY

**A**S CHAIRMAN of a global company, Frye spends about half his time outside the corporate office in Seattle. He logs his hours on airplanes, preferring to read books and articles about business psychology rather than reports and financial statements.

"I like being out there," says the 47-year-old Frye, who has the lean, fit physique of a cross-country runner. "I probably travel more than most CEOs because of that reason."

When he's in town, his workday is long and takes place in both his office downtown and another office in Frye's Issaquah home. He starts out in the early morning from home, placing phone calls to Colliers offices in Europe and the Middle East. After commuting into the city, Frye will work his way across time zones (a world map hangs on the wall of his office as a reference), placing and fielding phone calls from around the globe. In the evening, he'll have dinner with his wife, Linda, then possibly tackle more e-mails and phone calls from his home office.

"Doug's always had fabulous work balance in his life," says Linda Frye. "He does travel a lot, but we're always in contact. I love to hear about his trips to Europe or Asia, and how the cultures are different over there."

When he's on the road, Frye spends most of his time in affiliate offices listening to brokers

and analysts with on-the-street, local perspectives. "I used to think that I had to have all the answers," he says. "And then I realized that wasn't working very well. I'm just not smart enough to pull that off. I realized my job is to create space for people. I spend a lot of time clearing a path so people who are more creative and brighter than I am can keep the organization moving in the direction we want it to go."

Traveling from city to city has educated Frye on how each nation is developing. For example, economies in southeastern Europe are

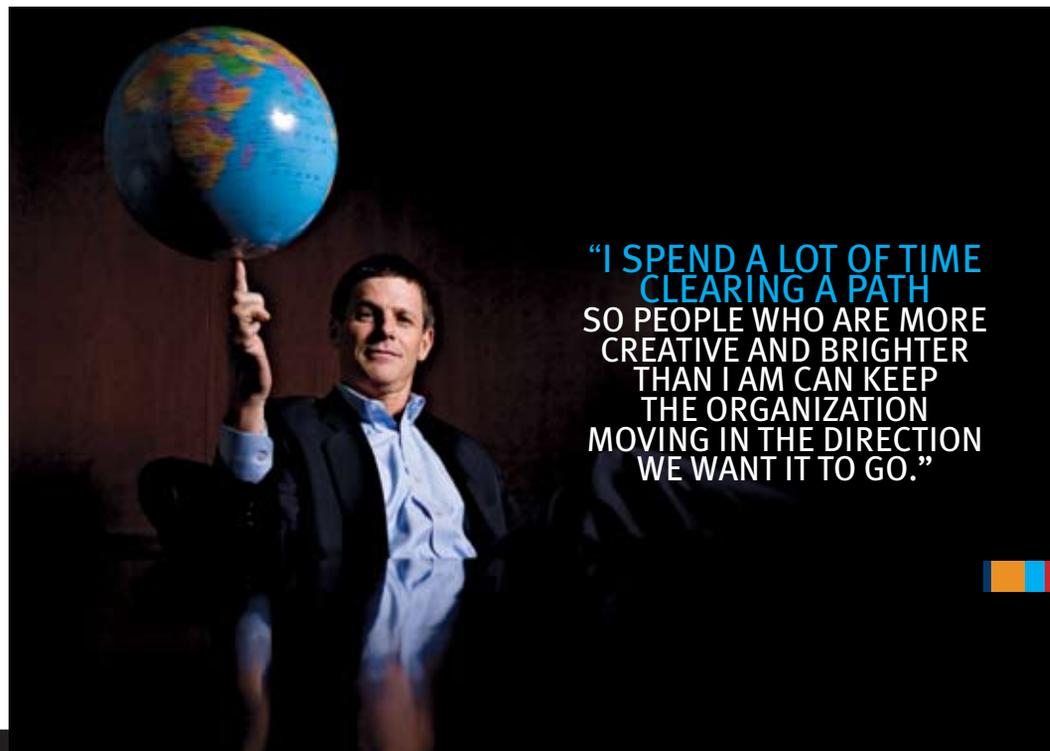
emerging at a rapid pace. "People are engaged as they develop their countries," he observes. "They are consuming goods and building a lot of retail and office space. It's a fun place to be right now."

The story is similar in Russia, where Colliers opened an office in Moscow in 1994. Since then, the firm has expanded to St. Petersburg. "It's kind of referred to as the 'Wild, Wild West.' But a lot of people have made a lot of money," he says. "It's very new, it's very exciting. Our growth there is just phenomenal, and we expect it to continue."

However, rapid growth presents its own set of challenges.

"The biggest issue in Russia is bringing in intellectual capital," he adds. "The opportunities are there, the work is there, but they can't get enough people in those markets, sometimes, to actually execute all the work that has to be done."

Frye's also intrigued by Brazil, which has largely weaned itself off crude oil and turned to biodiesel. "I think Brazil is very interesting because it has natural resources and is doing a good job on environmental awareness," he says. "We expect positive things out of Brazil in the next couple of years." — T.M.



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days with all the money. I knew then that we were in a partnership."

"By the way, you have to understand, this is totally contrary to institutionalized thinking," Aigner says of Frye's strategy. "This was entrepreneurial encouragement, rather than trying to force something down everyone's throat. Doug was saying, 'You do what makes sense because we want you to own the decisions that we will eventually ask you to make.'"

Some of the money-saving ideas were creative. One branch manager suggested voluntary unpaid time off. Since the industry was in a lull, it would give employees a chance to take a break from work and still have a job to return to when things improved. Other branch managers pooled their resources. When one office couldn't afford to cut its pro rata share, another office always could. "The managers got together and covered one another," Frye says. The move saved struggling branches from laying off staff.

When the market finally turned around, Colliers was in the enviable position of neither undergoing the expensive process of hiring and training new staff, nor suffering the equally expensive process of paying out severance packages associated with layoffs. The company had eliminated its \$7 million shortfall and was ready when the market rebounded. Most importantly, by avoiding layoffs, Colliers was able to build loyalty among its employees. Such successes led Frye to being named Chairman of the entire firm in 2004.

## THE BIG BUYOUT

BEYOND STABILIZING THE FIRM, Frye also undertook another project: securing capital to grow the company.

In the global commercial real estate industry, companies like Colliers, CB Richard Ellis and Jones Lang La Salle have historically grown through mergers and acquisitions of existing real estate offices in cities worldwide (see sidebar below). Frye, however, wanted to make a shift in this strategy. By 2004, Frye and the management team noticed that many of its shareholders were retired or semi-retired—people who tend to focus on safe and secure investment strategies. But Frye had a vision: Colliers would be a global leader in property services, recognized as first or second in any market in the world. It was a vision that would require more capital, energy and long-term patience from shareholders.

“We felt strongly that, ideally in a company, you should have a shareholder base that has an aligned equity incentive with what the company wants to be,” says Colliers’ COO Alan Oishi, who works at the company’s Vancouver, B.C., office. But he found that many shareholders were more interested in the liquidity of their investments and the company’s short-term dividends, rather than looking at Colliers as a long-term investment.

On Nov. 30, 2004, Colliers underwent a market recapitalization with Toronto’s First Services Corp., which bought out existing shareholders. The property service firm acquired approximately 70 percent of the shares of Colliers Macaulay Nicolls. Investors deciding to part

with the company cashed out their stocks at 100 percent, while remaining shareholders retained 50 percent of their equity.

The real value in the deal, Oishi says, was that Colliers now had a partner to help spur the firm’s growth. “First Services was a company with cash and instant lines of credit,” he explains. “They had the ability to raise additional capital ... for us to draw on to go forward.”

Oishi contends Frye’s role was crucial to the success of the recapitalization effort.

“When First Services was interested in us, they looked at our ability to deliver on promises for the future,” Oishi says. “They really looked at the ability of our CEO to lead the company. To me, the entire recap rested on a vision that Doug was able to communicate, and that gave First Services confidence.”

## SUBPRIME WOES

**TODAY, FRYE FACES NEW CHALLENGES.** Chief among them are two factors that have put a pinch on the market: the subprime mortgage crisis and rising energy prices.

Economists say the looming home foreclosures in the near future are putting a chill in lending institutions. Today, if you plan to finance the construction or purchase of an office building, you may end up paying more for the deal and also incur higher interest rates with less-attractive terms.

“Right now, there’s not enough capital in the market because of the subprime lending crisis,” says Frye. “Everything is being rethought. Commercial and mortgage-backed securities have all stepped back from those markets. The bonds aren’t moving through the market like they used to, and capitalization rates are going up.”

Still, it’s a survivable scenario. Glenn E. Crellin, director of the Washington Center for Real Estate Research at Washington State University, agrees that the problems with residential mortgage lending have already spread beyond the subprime market. He says the lack of liquidity will soon impact commercial and investment properties, as well.

Still, Crellin notes that a company like Colliers could see a rise in its leasing line of business. “Commercial brokerage firms are really in two businesses—sales and leasing—and those businesses do not follow the same cycles,” he adds. “If financial conditions limit the opportunities to buy and sell commercial properties, those same conditions may provide opportunities in the leasing market. It just means that some of the affiliated salespeople may need to change their focus.”

## GREEN OFFICES

**ON THE ENERGY FRONT,** the cost to operate office buildings has climbed, which affects lease rates and the client’s ability to lease space. But the larger picture involves the impact that office buildings have on the environment. By Frye’s count, office buildings are responsible for approximately 40 percent of man-made greenhouse gas emissions. Between now and the year 2030, Colliers will add 200 million square feet of office space in the United States, doubling its current portfolio.

“If you think about that, and think about the amount of greenhouse emissions coming from buildings, we see it as a huge opportunity to reduce greenhouse gas emissions,” says Frye.

To that end, the company has more than 100 LEED-certified professionals. It formed its own green building council to work with the World Green Building Council. The firm is also encouraging tenants and landlords to be ecologically friendly. In Bulgaria last year, Colliers hosted that country’s first sustainability conference.

“It’s really about education and getting the word out,” Frye says. “Showing our clients that going green can be cost effective. You can make money at it. It’s sold as a negative, as something you have to give up in order to change the world. We’re in a lot of countries, and it’s really important we walk the walk.”

Reducing greenhouse gas emissions is a hot-button issue for both Doug and Linda Frye, stemming from the philanthropic work that they have done. In 2004, the couple traveled to Africa with World Vision volunteers to build wells in rural villages. The trip inspired Doug to make sure that the Seattle headquarters focused on being environmentally friendly.

In 2007, Linda joined 10 Colliers employees and their spouses on a two-week trip down the Amazon River with World Vision organizers. They traveled on a medical boat staffed with doctors who made stops at villages along the waterway to provide medical and dental services. Last year, at Doug’s direction, Colliers spent \$130,000 to keep the same boat operating in the Amazon Basin.

For Frye, the worlds of philanthropy and business have merged inside Colliers.

“We’re on a mission,” he says. “We’re still looking for the best and the brightest people who want to join with us. People who are passionate about serving clients, learning, growing and having a lot of fun making the world a better place. It sounds a little grandiose, but that’s what we’re going to do in 2008. There will be acquisitions. We’ll add business lines. But if people are motivated and you share a vision, all the other stuff will fall into place.” 

## THE BIG THREE

HOW COLLIERS STACKS UP AGAINST ITS CHIEF RIVALS IN THE GLOBAL COMMERCIAL REAL ESTATE BUSINESS.

### Colliers International (Seattle)

- ➔ 296 offices in 57 countries
- ➔ More than 10,000 employees
- ➔ Manages 674 million square feet of commercial space.
- ➔ \$1.6 billion in revenue for 2007

### CB Richard Ellis (Los Angeles)

- ➔ More than 400 offices
- ➔ 24,000 employees
- ➔ 1.73 billion square feet of office space
- ➔ \$6 billion in revenue for 2007

### Jones Lang LaSalle (Chicago)

- ➔ About 160 offices in more than 50 countries
- ➔ Nearly 8,000 employees in U.S.
- ➔ 1.3 billion square feet of office space
- ➔ \$2 billion in revenue for 2007