

KELLER WILLIAMS REALTY
WEALTH BUILDING

A White Paper on
Growth Share



At Keller Williams Realty, we believe that associates are the driving force in growing their Market Centers and building the dominant real estate company in their market. This belief is one of the many ways we disrupt the market and dominate the game of real estate, and it is the cornerstone of the unique business culture within our company.

Our associates have an unparalleled and unlimited opportunity to actively participate in the growth and productivity of their Market Center—and receive the financial rewards that come from their efforts. In the United States and Canada, the financial rewards are offered through our Profit Share program, in which owners share their office profits back with the associates who helped that office to grow. In other countries around the globe, Keller Williams offers a Growth Share program in which master franchisee owners and Keller Williams reward associates who help the company grow by sharing a portion of the company's revenue with those associates.

Because any Keller Williams associate can participate in either of the two plans, and both Profit Share and Growth Share are distributed across borders all over the world, the two different systems create a powerful wealth-building platform for those who help Keller Williams grow and succeed.

*“In everything we do,
we honor our associates,
because we know that it
is through our associates
that our company
flourishes and grows.”*

Mark Willis, CEO,
Keller Williams Realty, Inc.

The Evolution

In 1986, Gary Keller and the first Associate Leadership Council (ALC) convened to reinvent Keller Williams Realty. The young company, which was functioning as a traditional real estate company with traditional commission splits, had just lost seven of its top ten producers to a competitor. There was no discord; they were simply seeking better deals. Heeding the lesson, Gary turned to the ALC and began an extraordinary journey.

He proposed that he and the agents work together to construct a company with a world-class environment and world-class people. He envisioned a company that agents could enjoy and prosper in throughout their career—and beyond. He asked the ALC, “How can we build a company that no one would ever want or need to leave?” From the sessions that followed, this ALC constructed the WI4C2TS belief system, established higher commission splits so that agents could make their own personal business spending decisions, and developed the Profit Share System, a revolutionary system that treats associates in the company as if they were partners in the business.

Gary Keller and the ALC launched an early version of the system in 1987. By 1989, the system had solidified into a Profit Sharing system—the system still in place in the United States and Canada. Sharon Gibbons, vice president of the Market Center Administrator (MCA) Division, was Keller Williams’ first MCA and worked through the numbers with Gary and the ALC. She was struck by the immense potential of this system and also recalls realizing the type of company they were building. “Think about owners giving back and investing in the people they work with,” she says. “When owners take money out of their pocket and give it to the people they work with to thank them for helping to grow the company, it says a lot about what they think about them.”

In 2010, when Chris Heller, president of Keller Williams Realty Worldwide, was charged with

developing operations and expansion for the rest of the world, he researched and created a wealth-building model that would work universally, regardless of how the real estate industry operated in a particular country. The result was Growth Share. “We built a model with absolute longevity for the international market,” explains Chris Heller, “It complements how the business of real estate is run throughout the world, while offering a wholly new opportunity—the opportunity to receive revenue like an owner, without any investment.”

The Revolution

In most real estate companies, associates pay a portion of their commission to their office and their region in exchange for services. The office and region use that income to cover costs, and what’s left over goes toward profit. Every real estate business is in business for profit, and usually the owners keep all of that profit. This practice makes sense; owners invest in businesses with the hope of seeing a return.

The Keller Williams Growth Share system is different—and revolutionary—for two reasons. First, for the first time in the industry, agents and brokers became interdependent, sharing a mutual interest in success and working together to achieve financial goals. Second, although associates do not assume financial, legal or management responsibilities, they are rewarded for growth with a portion of the revenue, as if they were an owner.

The key to the system’s success is the productivity and profitability of real estate agents. Keller Williams was crafted by real estate agents for real estate agents to be a company in which agents could readily build thriving businesses. To create an environment sure to foster profitability and productivity, Keller Williams Realty is committed to consistently delivering the world-class training, marketing, and technology that will purposefully empower agents to grow their businesses.

It's a virtuous circle: when agents are flourishing, they naturally tell others about the opportunity and this leads to further growth. A single office manager can never be as powerful as the combined efforts of every agent in the office.

These successful associates are then rewarded for the one activity that has the greatest impact on growing a Market Center or a Region: referring associates. For agents and office owners, this means not only will they have more agents, they will also have more productive agents!

This wealth-building platform makes a bold statement and allows associates in the company to take on the mindset—and the opportunity—of ownership anywhere in the world where Keller Williams has a franchise. Gary Keller explains, “We created programs that treat our real estate sales associates like legitimate stakeholders in the business. Associates can build a stake inside this real estate company that is as powerful as if they owned the company themselves.”

The Model

In the Growth Share model, when an agent completes a transaction, they receive a commission, which is split between that agent and their office. Every month that office then sends a portion of their revenue to Keller Williams and the region, who reward the agents who helped their offices and region grow, in thanks and in recognition of their contribution to growing the company.

Growth Share is set in motion when an associate joins a Keller Williams Realty office and names one person as the individual primarily responsible for bringing them to the company. It may not have been the first person or the last person they talked to about Keller Williams. It may be someone from their Market Center, or it could be someone from another region, province, or country. It is the person who was most impactful on their decision to join KW.

The potential is exponential. Everyone names a sponsor when they join Keller Williams Realty, and the system rewards seven levels of sponsors.

- Level One are the individuals who directly name you as their sponsor.
- Level Two are the people who name your Level One person as their direct sponsors.
- Level Three are the people who name your Level Two person as their direct sponsors, etc.

The Formula

A percentage of the revenue is disbursed by the regions through the seven levels based on a set

Level 1	= 50%
Level 2	= 10%
Level 3	= 5%
Level 4	= 5%
Level 5	= 7.5%
Level 6	= 10%
Level 7	= 12.5%

formula. Because Growth Share grows great branches like a family tree, it's oftentimes referred to as a “Growth Share Tree.”

When associates are part of the growth trajectory of any Keller Williams Realty

office, they can literally be rewarded with passive, potentially long-term income without any capital.

As of December 2012, the similar Profit Share system has amounted to a significant amount of income for a number of Keller Williams associates.

Keller Williams Realty Lifetime Profit Share

Level	# of People
\$1,000,000+	22
\$500,000+	70
\$100,000+	556
\$50,000+	1211
\$10,000+	4,448
\$5,000+	11,662
\$1,000+	28,519
\$500+	36,280

Gary Keller and the first ALC crunched the numbers to construct a formula that optimally rewarded both owners who risked their investments and associates who helped grow the company. In subsequent years the International ALC (IALC) has refined the system, but it has ultimately underscored the strength of the numbers as they exist.

When asked whether or not the systems work, Gary Keller replies with surety. “It’s a mathematical formula. It’s not a question of ‘does it work or not.’ It’s a matter of plugging in the numbers.”

Of Special Note

1. Once an associate has been with Keller Williams Realty for three years and a day, he or she is “vested.” This means the associate can leave Keller Williams Realty and still receive Growth Share.
2. If allowed by your laws, associates can bequeath Growth Share to a beneficiary. It is a gift—a gift that can live on to create opportunities in the lives of loved ones or others in the community.
3. Growth Share gives associates an opportunity to earn “100% Plus,” meaning the Growth Share an associate earns can be far greater than the commission split they pay, effectively allowing them to earn more than if they were on a 100% split.

The Culture

Businesses all over the world have used profit sharing arrangements since they first appeared in France at the beginning of the nineteenth century. In the United States, large successful companies as varied as Southwest Airlines to Verizon have profit sharing structures in place. In the real estate industry, other companies use revenue sharing, but no other company has such a unique system based on an office’s growth and production—as such a system would be difficult to maintain without the unique Keller Williams culture.

As Mary Tennant, President, Keller Williams Realty, Inc., explained in the Stanford Graduate School of Business case study, HR-29, “We know for a fact that our systems don’t work without our culture. We need our culture to reach our full potential.”

In that same case study, Mo Anderson, VCOB, Keller Williams Realty, Inc., stated that culture was “the glue that holds it all together.” Sharon Gibbons described the balance in the relationship by saying, “the systems are written for the culture and the culture exists for the systems.”

Culture in a Market Center grows naturally and inevitably as a result of the models, systems, and resources that Keller Williams provides through our extensive training, marketing, and technology tools.

Marco Ottaviani is a professor of management and strategy at the Kellogg School of Management, Northwestern University. He is also a coeditor of the B.E. Journal of Theoretical Economics, and serves as a member of the editorial board of the Review of Economic Studies and the Journal of Prediction Markets. He has taught the Keller Williams case study in his Strategy and Organization course and says that the case study is an opportunity to demonstrate to his students how a company might offer something different than what is being done in the industry. Of the Profit Share and Growth Share systems specifically, he says, “This system would be hard for competitors to replicate. All of the other things that Keller Williams has—such as the open books policy, the ALC, and the culture—work together to complement the system.” In his course, Professor Ottaviani also covers the effects of the system. He points out that it can help attract and retain good agents, while instilling a sense of ownership in associates.

The Growth Share system is extraordinary and exists as a business model thanks to the solidity of the Keller Williams culture. An uncompromising

“We are the only company out there that can reward associates for being ethical, strong agents and have it impact their financial well-being forever.”

Mary Tennant, President, Keller Williams Realty

belief in the opportunities of shared success creates an infrastructure in which associates are supported to both take their businesses to the highest level and to participate as partners in their company. This underlying belief makes Growth Share possible and viable.

The Reward Revenue

The amount of money anyone in the Growth Share system receives is a reward. They are rewarded for growth like an owner, but without the personal risks of owning or investing any capital.

Unlike other forms of investments, this system can boast the following:

- No financial risk
- No legal risk
- No down payment

Associates from Keller Williams Realty tell stories of how the additional passive income stream has enabled them to send their children to college, to pay for medical bills, to buy cars, and even vacation homes. Associates tell poignant tales of this income being willed to families who desperately needed it, or to an elderly mother who no longer had someone to care for her.

Growth Share can be the income stream that enables an associate to profoundly change their financial destiny. In *Cashflow Quadrant*, Robert Kiyosaki argues that individuals can find financial freedom through income streams in four quadrants: Employee, Self-Employed, Business Owner, and Investor. He explains that you can find success through any of the quadrants, but that of the Business Owner and Investor will help you to achieve greater wealth at a faster pace than the other quadrants. Whereas an associate

may typically experience the Self-Employed quadrant, when that associate builds his or her Growth Share Tree, they essentially establish themselves in the Business Owner quadrant.

As Gary Keller states, “Our wealth-building platform is an equal opportunity, unequal reward system.” Associates who have made the decision to participate in the program have seen their life changed forever—associates like W. Darrow Fiedler. Darrow didn’t receive significant income in his first year of growing his tree; however, since then he has received more than \$600,000. He explains that he enjoys using the money to make others’ lives better. It doesn’t happen overnight. Sharon Gibbons explains, “We’ve had some people who received a dollar in their first check, and now they live—and live well—off their passive income.”

About This White Paper

This white paper was written by Julie Fantechi, Leadership Learning Manager in Keller Williams University, to capture the history and success of the unique Keller Williams Growth Share system for both associates inside the company and interested parties outside the company. The information in this paper was compiled through interviews, research from the Keller Williams archives, and a literature review of business models in a variety of industries, including the real estate industry.

The Keller Williams Realty case study can be purchased from Harvard Business Publishing:
http://harvardbusinessonline.hbsp.harvard.edu/b01/en/common/item_detail.jhtml?id=HR29&_requestid=80487

“Growth Share is distributed as a thank-you to associates for growing the company”

Mo Anderson, Vice Chairman of the Board, Keller Williams Realty

“The strength and success of our people is the strength and success of our company. Growth Share enables us to treat our people as partners in a very tangible sense.”

Chris Heller, President,

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