

# The RIGHT Investment

The GPT Group has radically transformed the way it does business through an innovative approach to flexible working and adaptive operations.

Images by Scott Ehler

**A**s one of Australia's largest diversified listed property groups, the GPT Group is refreshingly not overly concerned with size. With a long-term, sustainable vision, GPT's CEO Michael Cameron is more focused on the group's total return to securityholders and its unique approach to business.

*The CEO Magazine* caught up with Michael to discuss how he turned a struggling property group into one of the top 50 stocks by market capitalisation.

**The CEO Magazine:** With 30 years experience in real estate investment, how did you draw on this when coming to GPT in 2009?

**Michael:** I have an interesting background because I'm a chartered accountant and I have a long history of finance-type roles. I spent 10 years in groups like CBA and 10 years in Lend Lease. I find not all property people have an understanding of banking and not all banking people have an understanding of property, so it

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was just by coincidence that I happen to have a decade of experience in each of those areas.

This is important because in 2009 we were at a critical point of the GFC, and most of the Australian property companies, similar to the rest of the world, were in a bit of a crisis. For us, it was very much a clean-up phase, and a lot of that clean-up involved removing debt, selling assets, and getting out of parts of the business that weren't performing well. Since I'd had that experience with both the banking and the property sectors, it was easier to do what we needed to do. It was really a turnaround story.

**Where have you gone from there? What was the ultimate brief when you came to the CEO role?**

The brief from the board was to improve the confidence of all stakeholders within GPT, whether it's the securityholders, the employees, or the lenders. Everyone who was involved in the organisation had a very low level of confidence in GPT's future, and this was reflected in the

newspapers. There was a negative story literally every day.

After the first two years, I was very pleased in having achieved a situation where we were suddenly regarded as the employer of choice by employees, as a place to invest by securityholders, and the banks were very keen to lend to us. From that perspective, we had renewed and reinvigorated the perception of the organisation, both internally and externally. I think that was certainly my brief from the start, and it definitely gave the whole team a real sense of achievement. >



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We achieved this by setting a very clear pathway forward, and we communicated what we were going to do with the organisation. Having done that, we went through a process of under-promising and over-delivering. Everything we delivered was far better than what everyone expected.

Going back to investors after a year and saying, 'This is our scorecard for the past 12 months', they were surprised but they were also very pleased. We went from people wanting to leave GPT to a situation where people were sending their CVs, and they continue to send their CVs, hoping to join the organisation.

**Why do you think your management philosophy was so effective in retaining and attracting high-quality staff after that initial adjustment period?**

First, it's an organisation with huge integrity, and I think that's

important to everyone. We are also very flexible and quite innovative in our thinking around work practices. For a few years now, we've had a unique office environment.

For instance, I don't have an office or a permanent desk; I sit somewhere different most days. And we have really embraced technology. It's a very different way of working. Since then, a lot of CEOs have embraced that as a way of working and you can see a number of companies have gone down that path, though certainly not across all levels of the organisation.

**Was that something that you found difficult to implement?**

I was passionate about it, and the fact that I was leading by example helped. For me, I don't only rely on written reports or updates from my senior team; I am also out there sitting next to our people so I can understand

exactly what's going on first-hand. I can communicate throughout the organisation in a viral way, rather than doing some very carefully scripted monthly letter from the CEO. For example, I can just tell people that I've got a strategy meeting with the board tomorrow, and describe the things we're talking about, and I find that within a few hours it's pretty much spread around the organisation.

The activity-based work environment is a very egalitarian approach, and its one example of why people want to work here. I see my role as CEO as providing an environment where people can do their best work. I recognise that I'm certainly not the expert; I don't have all the answers and I'm not the smartest person in the organisation. What I can do is provide a place where people can really perform, and, as a result, people have a lot of flexibility in the way they approach their work.

**This feeds into the sustainability values that you hold pretty strongly throughout the organisation. How do you make sure that you ingrain that into the DNA of the organisation?**

It is embedded in the way that we do things. It's not a project. It's not an area of focus. It's like honesty: you're either honest or you're not. In this organisation, you're either operating in a sustainable way or you're not. For us, it's just the way that we do things; we don't think of it as separate. We don't have a particular executive in charge of sustainability; it's everyone's responsibility. It is so deeply embedded in the organisation, whether I'm CEO or not we'd still be treating it very seriously.

**You've seen a lot of success now with \$15 billion in total assets that you look after. As a publicly traded company with more than 40,000 investors, what are your greatest challenges?**

I think probably one of the biggest challenges is balancing the differences in the aspirations of investors. Some are very short-term focused and some are very long-term focused. But one of the reasons this sector got itself into so much trouble six or seven years ago was really responding to the aspirations of investors for short-term earnings growth, which encouraged the sector to increase levels of debt and to over-pay for assets. At the moment, the biggest risk to the sector is that this will reoccur.

If investors focus on the long term—that is, for total return, which is GPT's key measure of success—as opposed to the short term, we should be fine. There's still an emphasis, particularly for the brokers, on short-term performance only, and that is risky. If you think about property as a long-term investment, then the performance of GPT as a listed property company should reflect those same investment characteristics.

To look at GPT and other real estate investment trusts and be only driving growth in income over a short period is very, very dangerous. It leads you to make the wrong decisions. There is enormous pressure from brokers and some investors to make those sorts of decisions. At GPT, we are more worried about what happens in the longer term and with the total return to our investors.

**We've spoken to a number of your key partners, including Highpoint. How do you select your partners and ensure they buy in to your ideas?**

First, I know our partners well and I've worked with many of them previously, so that's a good start. Second, you need to be in a true partnership with these sorts of organisations and have multiple levels of employee representation, a suitable level of input participation, and then you need to overlay the objectives of the organisation around the cost, culture, and those sorts of things. It's really important to get a balance between those groups of people to come out with something remarkable—something that satisfies the needs of the employees, allows the creative geniuses in design to come up with something that's going to surprise us, and also reflects the personality of the organisation.

**Looking towards the future, what role will office and retail play in GPT's success?**

Office, retail, and logistics assets will continue to play a very important role in achieving our objective of delivering strong total returns. We have two large wholesale funds, one in office and one in retail, which are the number one performers over one, three, and five years in the sector. With the best-performing funds in both office and retail, they'll continue to be very important. We have no plans to expand outside of Australia, and we will continue to be sector specialists in those three areas. •



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