



## **LAKEVIEW MEWS**

### **CRISIS MANAGEMENT CASE STUDY**

Dr. Jeffrey Henderson  
Dean of Monarch Business School Switzerland

This case is prepared by Monarch Business School Switzerland to provide material for class discussion at both the undergraduate and graduate level. The case may be used within a group setting with group presentation or by individual students formally responding to the case by written submission. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

Monarch Business School Switzerland provides case studies for use within the business school setting. Monarch Business School Switzerland allows reproduction of this material under fair use policy for the sole purpose of academic teaching. Other business schools and universities are encouraged to use this material within their own curriculum. No fees may be charged in the use of this material other than fees to off-set reproduction costs. All intellectual property rights remain with UGSM-Monarch Business School, GmbH.

*Focus: Crisis Management, Ethics, Corporate Governance, Leadership, Stakeholder Management, Real Estate*

---

## **INTRODUCTION**

Shawn Anderson was preparing to leave work on a Thursday night for a long-weekend of camping that would be shared with his wife and two sons of 7 and 9 years old. Anderson's professional life had been very busy, particularly over the last year and he was feeling increasingly isolated from his family. As the Vice-President of Operations for HPI, Huntington Property Investments, a large real-estate advisory company, he often felt stretched to the limit balancing the demands of work and personal life. The upcoming 3 days of shared family time would go a long-way in helping to heal the resentment that was starting to show from his family concerning his work.

As Anderson was walking out of his office with his car keys in hand his desk phone rang. He paused to think as to whether he should respond given the importance of the weekend for his personal life. Instinctively, he picked up the handset. On the other end of the phone was his immediate superior. Mr. Peterson held the position of Senior Vice President of the Residential Real Estate Division at HPI. One of the main tasks of the division was the asset management of the residential real estate investments for large pension fund clients. One of the largest clients of the group was the PIMC-Provincial Investment Management Corporation. Mr. Peterson informed Mr. Anderson that one of their 100-unit residential buildings located about 1,000 kms

from the head office was on fire. The asset was managed by Mr. Scott Chin a colleague of Anderson's whose office was located immediately across the hallway. Scott Chin recently got married and had left one week earlier for his honeymoon and would not be returning for at least another week. Peterson informed Anderson that in Chin's absence he would be point person and had to immediately fly to the building and take charge of the situation. At the building he would be met by Mr. Thomas Harding, the S.V.P. of the commercial portfolio for that region who was the first to hear of the fire and who in turn informed the head office. Anderson was told he could pick up his plane ticket at the airline counter at the airport. Since the situation was critical Anderson was told to go straight to the airport and get to the property as soon as possible. The company's travel agent had already made a hotel reservation for him as it was Stampede week and all hotels were now fully booked. At the property he would also be met by the property managers of the on-site property management company Sun Star Realty.

### **PIMC-THE PROVINCIAL INVESTMENT MANAGEMENT CORPORATION**

With \$150 Billion of managed assets, PIMC is a leading provider of investment management services for the province's public sector and one of the largest asset managers in the country. PIMC seeks investment opportunities around the world and across a range of asset classes that convert savings into productive capital. Its investment returns play a significant role in helping its institutional clients build a financially secure future for their beneficiaries. The provincial government is one of those clients. PIMC's portfolio consist of 0.5% in sinking and government operating funds, 1.6% in publicly administered trust funds, 12.9% in government bodies and, 85% in pension funds. Out of all assets under management in the private markets PIMC manages \$24 Billion in real estate, \$13 Billion in private equity, \$12 Billion in infrastructure, \$5 Billion in mortgages, and \$3 Billion in renewable resources. PIMC also manages \$62 Billion in public equities, \$30 Billion in fixed income, and \$2.5 Billion in other strategies. Out of these assets the real estate portfolio is made up of 44% Office, 13% Industrial, 13% Retail and 30% Residential. The asset management of the real estate portfolio, determining whether the assets are achieving the required rates-of-return, is split between several professional real estate asset managers of which HPI is one.

### **HPI-HUNTINGTON PROPERTY INVESTMENTS**

Serving more than 750 institutional clients who benefit from its real estate investment and development expertise in office, retail, industrial and multi-family residential assets, HPI is one of the largest real estate services providers in the country with more than 60 million square feet where people live, work and play and \$48 Billion under management. For over 100 years, HPI has built its reputation as a leader in real estate on the strength of its industry expertise and a relentless commitment to prioritizing its client relationships and putting their needs first.

### **SUN STAR REALTY GROUP**

Sun Star Realty Group is a privately owned real-estate investment and management company with over \$7 billion of assets focused on rental residential, hospitality and alternative asset classes. Established in 1974 it is a vertically integrated owner operator with a focus on multi-residential rental, hospitality and other real estate assets. The offices include over 70 investment and management professionals and 150 employees. The company prides itself on its long-standing strategic partnerships with large institutions such as pension funds and sovereign wealth funds.

---

## THE ARRIVAL

Anderson had no alternative but to make way for the airport and prepare his thoughts for his arrival. Before leaving the head-office he visited the file room and took the master file of the property with him so that he could review the particulars of the building while on the flight and during the taxi ride to the property. He needed to gain as much knowledge on the asset as soon as possible so that he could speak with assurance to anyone he would meet at the property. Quickly reviewing the property file he realized that there were 100 units in the building. A major fire could have them all stranded on the sidewalk. That meant there could be more than 200 people without any accommodations for the foreseeable future. He wondered how best to address this critical issue. While he was getting out of the taxi at the airport departure his phone rang. It was his wife. He felt overwhelmed. He let the call go into voice message. While walking to the check-in counter he texted her the message that he had to cancel the weekend and was called to a property fire out of town. He said he loved her and would be back as soon as possible.

While walking down the corridor onto the plane he knew that he would be the face of the company for the next critical 48 hours. But more importantly, he knew he would also be the face of the owner of the property for the next 48 hours and needed to get it right. He needed to make sure that the next decisions were the correct ones. He thought to himself, "What would the owner want him to do"?

## AT THE PROPERTY

Upon arriving at the property, he found the structure still engulfed in flames with multiple firetrucks surrounding the property and police blocking off the major intersections. Above his head, a television helicopter was flying circles around the property taking video for the evening news. The air was filled with smoke and the sounds of sirens with onlookers surrounding the property in the available open spaces.

As he exited the taxi he could hear someone shout, "that's the guy from the owner's group". With that he was surrounded by several angry tenants and a T.V. crew. Tenants were demanding their security and rental deposits so that they could find alternative lodgings. Some were blaming the owner for the fire.

During the ensuing conflict a T.V. reporter made her way through the crowd and stuck a microphone in Anderson's face. The T.V. camera was rolling. "I understand that you represent the owner of the building, is it true that there were no water sprinklers in the building and that the owner knew they were putting people's lives at risk just to save a few thousand dollars?"

Anderson looked at the T.V. camera. Thinking that he had never been on television before he searched for the correct thing to say. He opened his mouth but it seemed like ages before he was able to say anything at all. He thought to himself that he had to get this right, the company was counting on him, the client was counting on him. His wife and kids would probably see the news item that evening. In seconds panic took over. Meanwhile his cell phone began to ring. The number shown was his S.V.P. looking for an up-date on the situation. He again thought to himself **"What were his Top 5 priorities and how could he communicate them in a responsible manner?"**

---

## COMPLICATIONS

From the perspective of HPI, the management of residential properties for PIMC was always fraught with conflict. This was partly due to history. PIMC originally engaged Sun Star (the property managers) to manage the day-to-day operations of their growing rental residential real estate holdings. As the portfolio grew PIMC realised that it could no longer asset-manage the properties themselves solely with the assistance of the property manager and needed a third-party asset manager to do so properly. PIMC thus brought in HPI to provide the asset management function with Sun Star focused on the day-to-day property management functions. Basically, the asset manager acts as the owner's representative for all items affecting the property. When the asset manager decides on a course of action it is the same as the owner deciding. Consequently, the asset manager, HPI, provides quarterly and yearly asset management reports on each property under management back to the owner for high level portfolio decisions. These reports indicate the historical revenue and expenses, forward budgeting, historical returns and future expected returns for the building and how the building fits in to the overall portfolio. PIMC relies on these reports and the annual asset meeting to review the entire portfolio to know how the asset class is performing and how they should manage any risks that might be on the horizon. HPI in turn views the relationship with Sun Star as one of command and control. Sun Star works for the owner which essentially means they work for HPI and must follow the lead of HPI in all respects with regards to decisions taken concerning building management.

From the perspective of Sun Star, HPI is viewed as an interloper. Sun Star was the original party that forged the relationship with PIMC and view the hiring of HPI as asset managers as unnecessary and intrusive. In their view, Sun Star is the company that manages the day-to-day operations of the property. They are the ones that lease the property and maintain the property on an on-going basis. They are the ones with the property and local rental market knowledge. Moreover, the reporting that HPI provides to PIMC must originate from data provided by Sun Star. The employees and management at Sun Star have grown increasingly aggravated knowing that HPI merely repackages most of their own information and passes it off to PIMC as their own. Nonetheless, being a professional real-estate company, they are willing to work with HPI if it makes the client happy and ensures the long-term survivability of the client relationship.

## THE STAMPEDE

Each year, more than one million guests from around the world come to the city to experience the heart-pounding action of the world's largest outdoor rodeo, featuring bull riding, barrel racing and more. The GMC Rangeland Derby is a Stampede original, with 36 teams of horses and drivers racing to the finish line each night. The excitement is capped off nightly with the Bell Grandstand Show and a fireworks finale that lights up the sky for all 10 nights. For two weeks the city hotels and available lodging are all occupied months and even years in advance. This year's event corresponds with the crisis at Lakeview Mews.

## INTERNAL CONFLICT AT THE PROPERTY

Though Mr. Anderson was given responsibility to "take care of the situation" by his SVP Mr. Peterson, on behalf of his absent colleague Mr. Scott Chin, he quickly realized that the SVP for Commercial Properties of the region, Mr. Thomas Harding, wanted to take control of the situation. In fact, shortly after arriving, Harding who was already on site, told him not to make any decisions without consulting him. Anderson felt conflicted by this as he felt he had dropped

his personal plans for the weekend and he was given authority to run the situation only to arrive on site and be usurped by his colleague. It was difficult for Anderson as Harding was clearly his senior at the same level of his own boss, however, he was not within the residential group and therefore did not have line authority over the property. Further, Harding lived only a few blocks from the property in a well to do area of town and did not have to sacrifice his weekend. He could eat and sleep at home and be with his wife and children while still being active at the property. He could easily walk to his house from the property.

Further complicating the situation, the property managers at the site for Sun Star, Beth and Sammy, were an older couple in their mid-60's who managed the day-to-day operation of the property: taking care of tenant demands and making sure the property was in good repair and clean. They were a retired couple who were paid a modest monthly fee to do so along with free rent. They did not have the skill-set to deal with the crisis at hand and also felt over-whelmed. Anderson noticed on several occasions that Beth was consoling tenants who had found themselves without shelter due to the fire and that Sammy was running around without any direction or focus. They both looked to Anderson for some direction but mentioned that they were told to do nothing until their own supervisor, Ms. Gillian Wood, from Sun Star arrived and to let the city management take care of the crisis.

When Gillian Wood did arrive she completely ignored Anderson and started her own discussions with the city officials that were on site. She viewed the crisis as being an operational property level concern where HPI Management was neither needed or required. In her mind, any representative of HPI would simply be getting in the way of her job. She felt responsible for the people now without shelter and had already started to call some of their other residential buildings under management with their company to place people temporarily in vacant units. She believed that she was already adequately managing the situation with the tenants and the city.

## **CITY SERVICES AND THEIR RESPONSE**

Within minutes of the fire breaking out the fire department was on site. Though their response time was quick the fire engulfed the building due to exploding gas tanks found on the balconies of tenants that were used with Bar-B-Que's. Moreover, the building was primarily built using wood and did not have any fire sprinkler system. Since the building was over 30 years old it was exempted (grandfathered) from recent legislation that required fire prevention sprinkler systems in all residential buildings greater than 6 units. Further, the roof system that connected the entire building length did not have any fire-stop gap prevention measures and thus the fire was able to rise to the top floor (3<sup>rd</sup> floor) from where it originated to reach the roof and then quickly move through the attic across the entire building. The Fire Chief mentioned that this created a tremendously dangerous situation for his firefighters and hampered the efforts of his team. As the fire made its way along the building additional gas tanks were exploding and feeding the fire which slowed the response of fire fighters. The fire quickly got out of control and additional fire stations within the city were called in to assist. The Chief Fire Captain of the city had set up his command station and was directing and coordinating the efforts.

The city has a rapid emergency task force (RETF) to deal with crisis management situations, especially those that may place the lives of its citizens at peril. Fire emergencies, similar to Lakeview Mews, fall directly within their mandate: an exact example of a situation where they can arrive and make a real difference on the ground. Within 30 minutes of the notification from the Fire Department that the fire was serious and that over a hundred families were without shelter the RETF had set up a command center in a local church and was providing a quiet and safe place for affected residents to decompress, feed themselves and get a sense of security.

Being a municipal organization, RETF liaised with the fire and police departments to give updates to affected residents. They also helped to coordinate assistance response from various charities such as the Red Cross and local groups. Members of these groups who saw the smoke and fire or heard of it over the radio had already arrived at the property and were coordinating with the RETF lead, Mr. Dirk Kinak, on how best they could help and provide any assistance or physical goods that were needed: clothes, blankets, personal bath products and food.

## **THE RESIDENTS**

Lakeview Mews is located in the suburbs of the city. It holds 100 family units over 3 floors. The property is built using wood and wood panelling and has an appealing look and feel reminiscent of older more simple times. Residents who moved to Lakeview Mews were typically older generations of retired couples and young families just starting off. The families were typically working-class or elders on limited budgets. There were approximately 100 families totalling 350 residents living in the property at the time of the fire. They were now without shelter. When creating a lease tenants are forced to show that they hold tenant insurance to cover their losses in case of fire or theft. However, after initially leasing their units many of the tenants allowed their property tenant insurance policy covering their own unit to expire in order to save the monthly fee. Typical tenant insurance at the time of the fire cost \$30 per month. The property management company estimated that only around 20% of the tenants maintained their property insurance. The rest were left without coverage. From a legal standpoint the landlord is not required to assist the tenants beyond the reimbursement of the security deposit and unused lease fee for the month. Moreover, the law stated that the owner had 10 days in order to make the necessary repayments.

Moreover, since the fire started and moved quickly through the building the residents when making their exit were forced to leave all their belongings behind. They exited the building with only the cloths on their back and anything they could grab on their way out. It was fortunate that the fire broke out around mid-day when many residents were outside the building either at work or doing errands, otherwise the situation could have been much worse. Even more fortunate was the fact that the fire broke out during the summer months. The weather in the city was known to descend to -20 centigrade during the winter months but at the time of the fire was +25 centigrade. Fortunately, everyone who was in the building was able to escape and the only missing person was a cat named Mr. Wiggles. This fact was credited to a young resident who upon hearing the first gas tank explosion grabbed a nearby fire extinguisher and fought the fire himself. This gave other residents added time to evacuate the property safely. He was being held up at the property as a "Hero", even being recognized by the Fire Chief for his bravery.

## **THE POLICE RESPONSE**

The local police force typically arrive on the scene of any large fire due to the possibility of arson, theft and crowd control. At Lakeview Mews there were many patrol cars parked nearby with their car lights flashing with police personnel taking accounts from residents. A detective was interviewing the young "Hero" in an attempt to ascertain whether he had started the fire himself in order to appear the hero. This caused much anger in the crowd with people shouting at the police for not doing their jobs correctly. The Police had already arrested one individual at the property who tried to enter the burning building from a concealed area in order to steal the personal effects of residents. This only added to the feeling of mayhem and loss of control. Police were actively pushing residents and citizens away from the building while setting up a

---

perimeter in order to maintain security, a safe operating environment for the fire fighters as well as to protect individuals from further possible explosions.

### **EMERGENCY FUND**

As a large asset manager HPI had an active crisis management program in place. There were certain steps to take in the case of a property crisis, being: security, fire or environmental. Mr. Anderson found the crisis management flowchart within the master file of the property. Each property file contained the same flow chart. After viewing the flowchart Anderson realized that it was over 7 years old and that much of the information was out-of-date. He placed it back in the file. Nonetheless, he did see where the company maintained an Emergency Fund whereby Senior Vice-Presidents could unlock a bank account of approximately \$100,000 held in reserve for specific situations like Lakeview Mews. Anderson realized that he would have to speak to his colleague Harding to get access to those funds. Unfortunately, the fire started late on a Friday afternoon and by now the banks had all closed and would not be opened until Monday morning. Moreover, the release of the funds required two SVP's to sign at the bank in order to prevent fraud. Anderson wondered how they would be able to get the funds released without two signatures of SVP level colleagues and the fact that the bank was closed for the next 48 hours. Fortunately, SVP Harding had previously worked as a Bank Manager within the city and counted the other bank managers as his extended colleagues. He mentioned to Anderson that he would call in some favours and see what he could do to get at the funds.

### **THE LOCAL BANK**

The local Bank, CBCC, prided itself on being close to the community it served. As soon as it opened on the following Monday the employees of the bank set-up a donation account to which any bank customer could make a donation and support the affected residents. Over the months that passed the bank had raised over \$50,000 that would find its way back to the affected residents.

### **THE ERTF COMMAND CENTER INCIDENT**

At the local church where the ERTF had established their command center there were hundreds or residents who were getting ready to spend the night sharing sleeping quarters. Within this group there were some malcontents that used the heightened emotions of others to cause more distress by demanding that they be paid their security deposits immediately. They continued to incite hatred towards the owner of the building by saying that it was a big pension fund who did not really care about its residents and that they were being left alone and stranded. By the next morning, Saturday, the majority of people believing that they had been stranded in the church demanded from the city and the property manager their security deposits. Calls were made to the city political parties and an Alderman (city official) soon showed up demanding to speak with the owner.

### **ANDERSON'S DILEMMA**

At the end of the first night, Friday, Anderson made his way to his hotel room. He left message for his boss, Peterson, giving him a recap of the day's events. Anderson had to come up with a plan for the next day. The emotions of everyone were at a fever pitch. He turned on the television only to see himself being interviewed earlier that day. His lack of assurance when speaking and the righteousness of the television interviewer made it appear that the owner's

representative was not in charge and was unprepared. Anderson thought that he had just sent his career at HPI back years, if he still had a career. His phone rang showing Harding. As he picked it up a second call from his wife came in. He texted Hardings that he needed 5 minutes. He called his wife back and while speaking with her his mind raced as to what he would do the next day. His wife, though supportive of him, reminded him of how disappointed his children were that another family outing had been cancelled by him at the last mement. Anderson sat down at the edge of the bed told his wife that he loved her and that he would speak again to her in the morning. He dialed his colleague and prepared his mind. He had to show real leadership at a time when he just wanted everything and everyone to disappear. He heard his colleague Harding answer.....

### **FOCUS QUESTIONS FOR STUDENTS**

1. What should Anderson do?
2. What are his priorities and first steps?
3. What are the critical aspects of the situation for Anderson?
4. Where are the potential pitfalls for Anderson and the company?
5. How does Anderson control the situation and make sure that it does not get worse?
6. How can Anderson turn it around so that it looks like a win for all parties involved?
7. Who are the stakeholders? Which stakeholders have not been mentioned in the case?  
Create a stakeholder map using first, second and third priorities.
8. What Crisis Management Model should Andersen use to guide his actions? Be specific.

### **ADDENDUM**

Anderson realised that he could not change the past. The fire happened. The day's events happened. All he could control were his own thoughts and actions. He really needed to nail this. He was put in charge. He took out his note pad and started to sketch out his response. He developed a list of action items, bullet points and a flow chart. He went to sleep thinking tomorrow is another day and that he would meet it straight on.



# THE RELATIONSHIPS

