Leveraging Technology to Increase Corporate Real Estate's Value Proposition to the Enterprise

By George Bouris MCR

Despite the multitude of Corporate Real Estate (CRE) technology offerings – and notwithstanding the conventional wisdom – there really is a right answer for each organization. Surprisingly, feature analysis and functional specifications are not the major determinants in finding the right answer. The key is adopting an approach which is enterprise-centric, not CRE-centric. Of course, the right answer is not universal; it's different for each organization, and context and value are critical.

Address Business Needs, Not CRE Desires

Irrespective of the organization's core business, the Corporate Real Estate Department has essentially three objectives: 1) deliver and manage a cost-effective yet productivity enabled workplace; 2) effectively and efficiently manage assets and facilities; and 3) maintain a real estate portfolio that is flexible and capable of meeting the ever-changing demands of the enterprise. Each objective is related to detailed corporate requirements and is supported by specific technology requirements.

While each objective is important, rarely are all three equal in importance at a given point in time. Further, the order and relative importance of these objectives are highly correlated to the realities and objectives of the enterprise. An organization pursuing aggressive revenue and market share gains will have a greater need for portfolio management than asset management. That is not to say asset management is unimportant to the organization; however, at this point in time, it is of less importance. Likewise, a company pursuing aggressive cost reduction goals will emphasize asset management and perhaps portfolio management over workplace management. This will be evident in effective CRE organizations, but even astute real estate managers may not understand the need to give more weight to the appropriate business drivers in selecting a technology solution.

For example, one organization had earmarked a sizable amount for upgrading its asset management capabilities by investing in new technology for field operations (on-demand maintenance), including hand-held devices, new software and new hardware. At the time, field operations were highly manual, with little technology support and were thought to be the cause of low business-unit satisfaction with the CRE department. However, closer scrutiny revealed that on-demand services were delivered 90 percent of the time within the required service level and that 95 percent of business-unit customers were highly satisfied with on-demand services. So why had the decision been made to invest in this technology solution? Clearly, two factors were at play here. First, the CRE Technology Leader hoped that technology could address the concern that his staff was being stretched to the limit by the ever-increasing workload. Second, CRE management was taken by the notion that this technology solution would position their organization as a clear leader in technology adoption, garnering accolades from its peers within the industry.

As it turns out, though, the organization was experiencing rapid and dramatic growth which required expansion and improved delivery of its real estate portfolio. CRE's inability to meet that demand resulted in the business units having to take alternative actions which led to the increase in on-demand services. Rather than investing in asset management technology, the CRE organization in this case was better served by investing in portfolio management and customer relationship support, only a portion of which was technology. This example illustrates the primary importance of the enterprise context. Functionality by itself is not enough of a reason to invest in a solution; without the context and value proposition it is irrelevant. Indeed, while the solution in the above example was best-of–breed and had returned significant value to similar organizations, in this case it would have returned little, if any, value to the enterprise and the CRE organization.

As with any other corporate function, it is critical that the CRE organization ask the right business questions and answer them objectively and diligently before beginning any deliberations about the appropriate technology solution. Chief among these questions is: "What does the Enterprise need CRE to achieve on its behalf for continued success and to achieve its goals?" The answers must come from the business units and leaders themselves, not only from within the CRE organization. Engaging with the business units and maintaining an up-to-date understanding of their business drivers will yield clear indications of the path to identifying the appropriate technology investment.

Fit Into the Overall Technology Landscape of the Enterprise

As important as it is to ask the right business questions, it's equally important to ask the right technology questions. One of the primary pitfalls on the way to selecting an enterprise real estate solution is a lack of awareness about, or even disregard for, enterprise technology standards and initiatives. Unfortunately, it is all too common that real estate technology selections fail to come to fruition because critical enterprise technology requirements in areas such as security or systems architecture have not been taken into consideration.

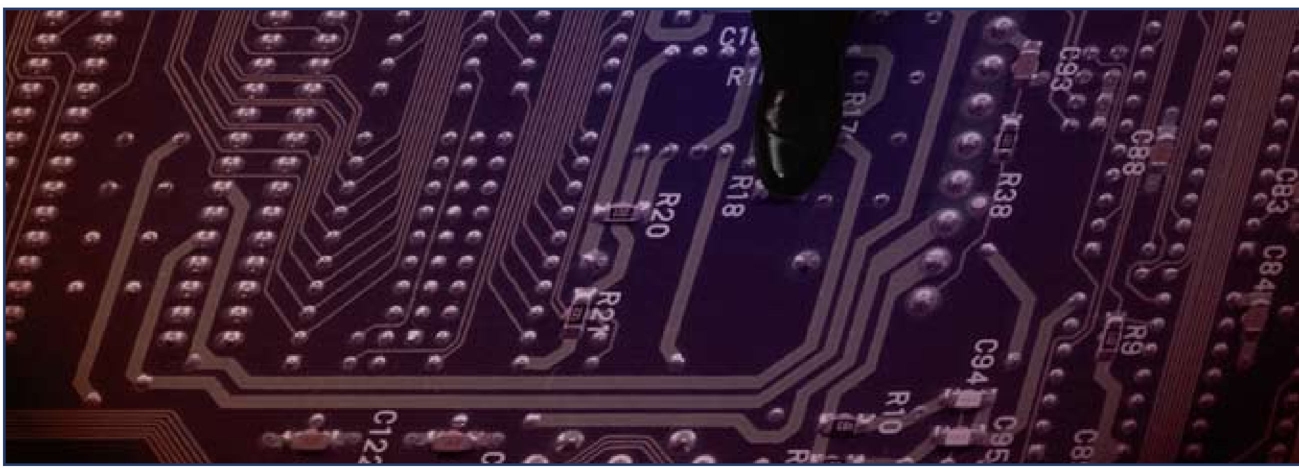
In extreme cases CRE has completed the selection and is moving towards implementation, only to be brought up short because the solution does not meet enterprise requirements. For example, we know of several instances in which a solution that offered a mixed client-server and web-based architecture was deemed to be the best solution from a functional standpoint. However, despite the compelling functional benefits, the IT organization was able to scuttle the CRE organization's choice because enterprise IT standards required that all new technologies have a completely web-based architecture.

At the same time, IT organizations may show flexibility in allowing some digression from enterprise standards if the business benefit appears to outweigh the risks. The caveat in this case is that implementation will likely be more complex, and the effort to accommodate non-standard components in areas such as server software, security, or databases can dramatically increase cost and time.

Even more important than being aware of technology platform standards is to appreciate the value the enterprise places on leveraging its financial/Enterprise Resource Planning (ERP) solution. The CRE organization may perceive that the real estate module of the company's ERP solution doesn't offer the functionality and transparency of operation they desire when compared to leading real estate applications. But if senior management places a premium on having a single enterprise-wide system of record for all key financial and operational information, this consideration will invariably win out. An enterprise-wide initiative to fully utilize the capabilities of its financial/ERP solution that bears senior management's imprimatur will invariably trump department or division priorities.

Define Success Before You Start

Having ascertained the organization's business priorities and drivers by asking and answering the right questions, the next critical step is to define what success will look like and how it will be measured. An all-too common error is to define success and critical check points after the technology has been selected,



as part of the implementation project. While it is important to define success factors as part of a project, it is just as critical, if not more, to establish broader success factors in regard to the overall program before technology selection.

Whereas *project* goals reflect the How, *program* goals reflect the Why. By establishing program goals upfront instead of just project goals, success is determined by "Did we implement the appropriate functionality?", "Is our solution timely to meet organizational requirements and needs?" and "How much value is our solution adding to the enterprise?" as opposed to "How many modules were implemented?", "Was the project schedule met?" and "Did we meet budget?".

In the absence of program goals and appropriate metrics, it is possible, even likely, that a project can be labeled a success without delivering meaningful organizational benefit. Indeed, project goals can in fact be counter-productive to organizational goals and ultimately enterprise value. Establishing program goals that are clearly mapped to specific contributions to enterprise value is the key to the strategic alignment of technology to business needs. If you've done your homework correctly you should be able to articulate an effective business case that justifies the technology investment. The most compelling business cases are developed organically, through a deep and fundamental knowledge of the enterprise, its mission and goals, and its requirements.

Conclusion

Here are four simple rules to consider in selecting a CRE technology solution:

- **Don't try to keep up with the Jones'.** Context is everything. Just because your peer-group has selected a specific system (or systems) does not make it right for you. Selecting an appropriate technology solution should be driven by business circumstances, not by nice-to-have functionality.

- **Learn the hot-buttons of the CIO.** The importance of fitting into the enterprise technology environment cannot be over-emphasized. You're entering IT's world, and it pays to understand current trends and corporate standards. Make sure you're aware of any technology initiatives that may affect your choice of a CRE solution. If the company has made the strategic decision to leverage its ERP solution as the center of its technology universe, going off on your own and selecting a stand-alone CRE solution is probably going to be a waste of time and money, not to mention it might be a career-limiting move... .

- **Learn the language of the CFO.** At the end of the day you will have to justify the value of implementing CRE technology in terms of the overall enterprise, not just to CRE and its direct internal customers. As is the case with technology, it pays to understand the language of finance. Find out whether the CFO is backing any enterprise technology initiatives or programs that might affect CRE technology decisions. Begin building a rigorous and structured business case early on and continue to collect data and refine your analysis as you move forward.

- **If it sounds too good to be true, it probably is...** Numerous service providers and technology vendors will offer hosted or outsourced solutions to defer the initial implementation costs and transfer some of the early risks associated with the implementation. Weigh the costs and benefits proposed against the risks these particular solutions offer. While outsourcing is in itself a good thing, it may not be the right model to fit your long-term needs. Look into it before it becomes too painful to pull out...

While we can't claim that following the guidelines laid out in this article will be a guarantee of success, we are certain that they can help you avoid some of the more common pitfalls and traps on the path to technology nirvana. ***LEADER***

About the Author

George Bouris MCR is Principal, Deloitte Consulting LLP. He would like to acknowledge the contributions of his teammates (Stuart Bard, Senior Lead, and Steve Teubner, Manager) in preparing this article.