CoStar REAL ESTATE MANAGER™

IWMS - A Practical Approach for Real Estate Professionals

Today's corporate real estate executives find themselves challenged by senior executives to deliver an increasingly detailed and accurate view of real estate operations with fewer and fewer available resources.

The Integrated Workplace Management System (IWMS) tools and solutions market, predicted by leading analysts to continue in the double digits, underscores the desire among real estate professionals to adopt an integrated approach to effectively manage all major aspects of their occupied real estate. But as the tools available to real estate professionals become, in theory, more sophisticated and easier to use, questions about the best approach to implementation of an IWMS strategy rage on.

The "do more with less" era

Today's business environment continues to place significant pressure on real estate professionals to deliver cost savings and business value from their real estate. Corporate real estate managers are being asked to deliver additional efficiencies, make better and faster decisions regarding acquisition and disposition of real estate and leases, and improve the accuracy of real estate information across the entire real estate asset lifecycle. Facilities managers are challenged to improve maintenance and asset management processes, reduce costs and streamline workflow to improve efficiency. The requests are coming during a time of unprecedented staff reductions across the entire business landscape. It's no wonder corporate real estate and Facilities Management executives are skeptical of IWMS

platforms that promise a one-size-fits-all solution.

If there's any good news for resource-challenged real estate professionals, it's that the software and information management tools available to them to better track and manage operating costs, manage projects and handle a variety of facilities and maintenance tasks have gone through significant upgrades and can provide strong capabilities – if selected and implemented properly. If not driven by a well-planned business integration strategy, however, a powerful IWMS software solution can turn into an IT nightmare, costing an organization millions in software customization, untold hours in diverted IT and business resources and result in a poorly implemented solution that fails to meet the needs of the multiple stakeholders involved in real estate management. How to select the best IWMS strategy to match process and workflow and which software solution approach to consider (suite-based solution vs. best-of-breed) for your organization requires careful thought, an evaluation of ALL available options and a proper vendor/solution provider selection process.

Providers of suite-based IWMS solutions heavily promote the value of their fully integrated one-solution-fits-all approach to IWMS. Best-of-breed suppliers tout flexibility and the value of deeper functionality and lower risk implementation in their approach. Which is better? And how does a corporate real estate executive decide which direction is right for their operation? Generating an answer might require taking a step back from the technology to better understand the underlying business reasons for considering

such an investment. A number of factors, including organizational structure, detailed and specific information management needs and the existing systems and IT infrastructure deserve serious consideration.

It begins with the structure

Managing the multiple components of a large occupied space portfolio often requires an organizational bias toward managing real estate holdings as an integrated function. What many of the suite-based IWMS proponents miss is that it's not the toolset that keeps organizations from a successful integrated approach, it's often the underlying real estate management model at fault. As an example, industry analysts Aberdeen Group found in a 2008 study that while 92 percent of Best-in-Class companies manage their real estate transactions through a central group and share portfolio management data across the enterprise, less than half of all organizations currently have an enterprise-wide centralized real estate function in place. Without a centralized organization in place to drive business process and workflow, real estate managers may find the true benefits of and form of IWMS solution harder to manage when in place and harder to justify during the business case and acquisition phase.

How much is too much?

The challenges involved with the selection, acquisition and implementation of a suite-based Integrated Workplace Management System can prove daunting to even large scale organizations and have been compared by some to the challenges of implementing an enterprise ERP system. Given the number of data touchpoints, required integration to existing infrastructure systems, multiple stakeholders with varying information management priorities and the overall software complexity of many suite-based IWMS systems, it's easy to understand the comparison. Unfortunately, for many, it's not a positive image.

Single-platform, suite-based IWMS systems can offer the promise of broad functionality across the main real estate management disciplines. And the logic that a single system will improve information access and data integrity by minimizing input points. What is often missed in the evaluation, however, is the tradeoff necessary to achieve this level of functionality. This begins during the building of the business case.

To justify the larger initial software costs associated with suite-based IWMS solutions, it's often necessary to build out a project plan with longer time to value metrics dependent on implementation across a wider footprint of departments and real estate functions. In today's environment with a high premium on fast ROI and tighter control on IT spend, the larger IWMS business case may be more difficult to "sell" to senior management despite the promise of a strong payback. Especially challenging is the decentralized organization where multiple stakeholders across diverse functional groups must endorse the acquisition and by default become part of the ongoing implementation team.

According to research studies, as many as 70 percent of all large-scale enterprise IT projects either fail completely, grossly exceed budget or fail to deliver on promised benefits. And while the causes can be anything from poor planning, unrealistic expectations, changed parameters during project implementation and poor selection processes, one area that seems consistent across most surveys relates back to a core problem – lack of defined business process and specific project objectives at the outset.

Trusting an IWMS implementation to a top integration consultant might seem like a prudent way to mitigate the significant risks, but recent economic realities have even cast doubt on this approach; with some of the leading consultants in a retrenching mode, a few filing for Chapter 11 protection and all being forced to rethink the infrastructure strategies they recommend for clients.

To counter the challenges of a single large scale implementation, many software solutions are available in modules offering organizations the opportunity to implement in stages or just acquire the functionality most critical to their operation. While often a better solution to the large scale implementation requiring months or years of resource time, significant software

customization and associated service fees, this approach can end up.

It begins with the structure

Managing the multiple components of a large occupied space may negate many of the promised advantages of a broad-based IWMS solution. This is especially true when the key software value exists in the integration rather than the functionality of each module. If an organization opts for a complete IWMS implementation they should be prepared for an ERP-like project implementation cycle.

One size may not fit all

Beyond business process and project scale, there are a number of factors that can enter the decision process surrounding IWMS. One thing that becomes clear quickly in evaluating corporate real estate management across different market sectors is the diversity of requirements that exist. An organization operating within national boundaries, for example, will not have the same global and multi-currency needs as a true global enterprise. Matching functional business requirements to specific software features during the acquisition phase is critical to avoid paying for unneeded functionality or paying for significant customization during implementation.

Facilities and space management presents its own diversity and complexity of needs. Management of internal space requirements, office build-outs and changes, optimization strategies and the like are requirements of many corporate real estate operations, while others don't share the same issues and complexity.

While most real estate managers do share a common need to effectively manage the maintenance of owned or leased real estate, the type of business entity can have a significant impact on required facility maintenance management functionality. Some may desire to manage only the maintenance of the actual facility itself – physical structure, HVAC equipment, etc. Others may wish to integrate a facility management strategy into a broader asset management approach for real estate holdings and operational equipment and

production assets. Many corporate real estate and asset managers require systems to track IT assets, general office equipment and the like. Whether or not the management of this equipment is done in a single asset management system or dual asset and facilities systems, can significantly impact the required functionality in determining the correct IWMS approach.

Another question real estate professionals need to ask about today's integrated IWMS solutions is just how integrated are the solutions as presented? It's no secret and actually a very logical consideration that today's "integrated" IWMS tools often came about by one vendor acquiring the software assets of another, with the long-term goal of offering an integrated product solution. The question is "How far along the product roadmap are they?" Integrated solutions in name only obviously don't offer much more than the convenience of buying from one organization. Given the economic reality that is impacting software development, and the need to continue to add competitive functionality rather than make integration investments, one should question how high up the functional food chain integration sits with the developer before accepting the claim of a totally integrated solution.

And speaking of integration, is it even reasonable to expect an IWMS solution to function effectively as a stand-alone system? For most organizations, an integrated IWMS solution or separate Real Estate Information Management and Facilities Management solutions will rely heavily on data extracted from existing ERP systems, Asset Management software or other enterprise IT solutions to be an effective management tool. For many, it may be more valuable to evaluate a solution's ability to handle multiple integration points rather than as a single stand-alone IWMS solution.

The right strategy

With the wide variety of functional needs, available options and increasing pressure to transform real estate into a strategic asset, which approach should Real Estate Professionals pursue? Best-of-Breed or integrated suite based IWMS? The answer may

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not be instantly clear, but basic process and evaluation recommendations can be made. These include:

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1. Perform a fundamental and comprehensive needs analysis. Evaluate your current business processes and workflow related to real estate management, the system(s) to manage information and how effective (or not) those procedures have been. Also look at the near-term horizon and identify any likely business change that will have an impact on real estate operations (consolidations, staff reduction, etc.). Arming yourself with this information will enable better software evaluation.

2. Prioritize requirements. Based on careful analysis, identify top priorities and separate the "must-haves" from the "nice to haves." You may find that, after analyzing and prioritizing business needs, you may be better served by a Best-of-Breed rather than "all-in-one" suite-based IWMS solution or may be able to implement IWMS in stages.

3. Evaluate existing organizational structure and workflow. Business need should drive technology decisions, not the alternative. By adding an organizational review to a comprehensive needs analysis, you place your organization in a better position to identify and implement the best technology solution, one that will require the fewest unwanted organizational and workflow changes.

4. Determine the approach that makes the most sense for required functionality AND quick

payback. In today's business environment, buying "futures" is of limited value for most organizations. Acquiring a technology solution that has a short time to value with flexibility for expansion can mean the difference between an acceptable business case and one that is automatically pushed to the bottom of the corporate priority list.

5. Understand that not all "integrated" solutions are alike. If, after analysis, it looks like an IWMS strategy makes sense, and you end up favoring a suite-based approach, be sure the solution provider can offer a true integrated solution today. Software product roadmaps can be delayed and integration plans can face reprioritization, especially in challenging financial times when software development resources can be strained. You also need to perform careful due diligence to understand how well an IWMS solution will integrate with existing enterprise applications, as much of the information that drives IWMS will be extracted from other systems.

6. Choose a software platform that allows for growth. The traditional software license model, while not yet in danger of disappearing, is facing very real competition from Software as a Service (SaaS) alternatives. The flexibility, lower initial and total cost of ownership, attractive time-to-value performance and elimination of required internal implementation resources have made SaaS a true viable alternative to licensed software delivery, especially when budgets are limited.

7. Don't overlook implementation and customization costs, in time and dollars. Software implementation, especially software delivered in the traditional licensed model, can require significant implementation time, which translates to resource cost both internally and on the part of the software vendor or consultants. If you are acquiring a suite-based IWMS solution, one that will require more than basic customization to meet your needs, you can expect these costs to add significantly to the project budget.

8. Select a vendor with a history of delivering the promised solution. You should seek solution providers with demonstrated expertise in

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addressing the challenges facing real estate professionals in your market segment. Make sure you visit two or more of the vendor's customers with the fully implemented system in place. It's not the "Promises Made" that should be the evidence, it's the "Promises Kept" for customers that should make the difference.

9. Minimize costs for maintenance and application management. Beyond initial implementation costs, ongoing maintenance and application management can represent a significant part of an overall software budget. Remember to factor in all of the associated technology costs including hardware and ancillary software as you develop a true total cost of ownership comparison. Considering a SaaS model that offers system-wide upgrades at little individual cost might be a far more viable alternative now as vendors in this area have perfected their delivery and have made SaaS a more mainstream alternative.

10. Leverage flexibility. In an economic climate where sales are slow, buyers have unique leverage to request terms and considerations that a stronger market would not support. Beyond just the negotiation with a vendor, however, true flexibility in an IWMS solution comes from careful analysis of immediate needs, detailed assessment of available solutions and the selection of the right solution to meet the identified needs.

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