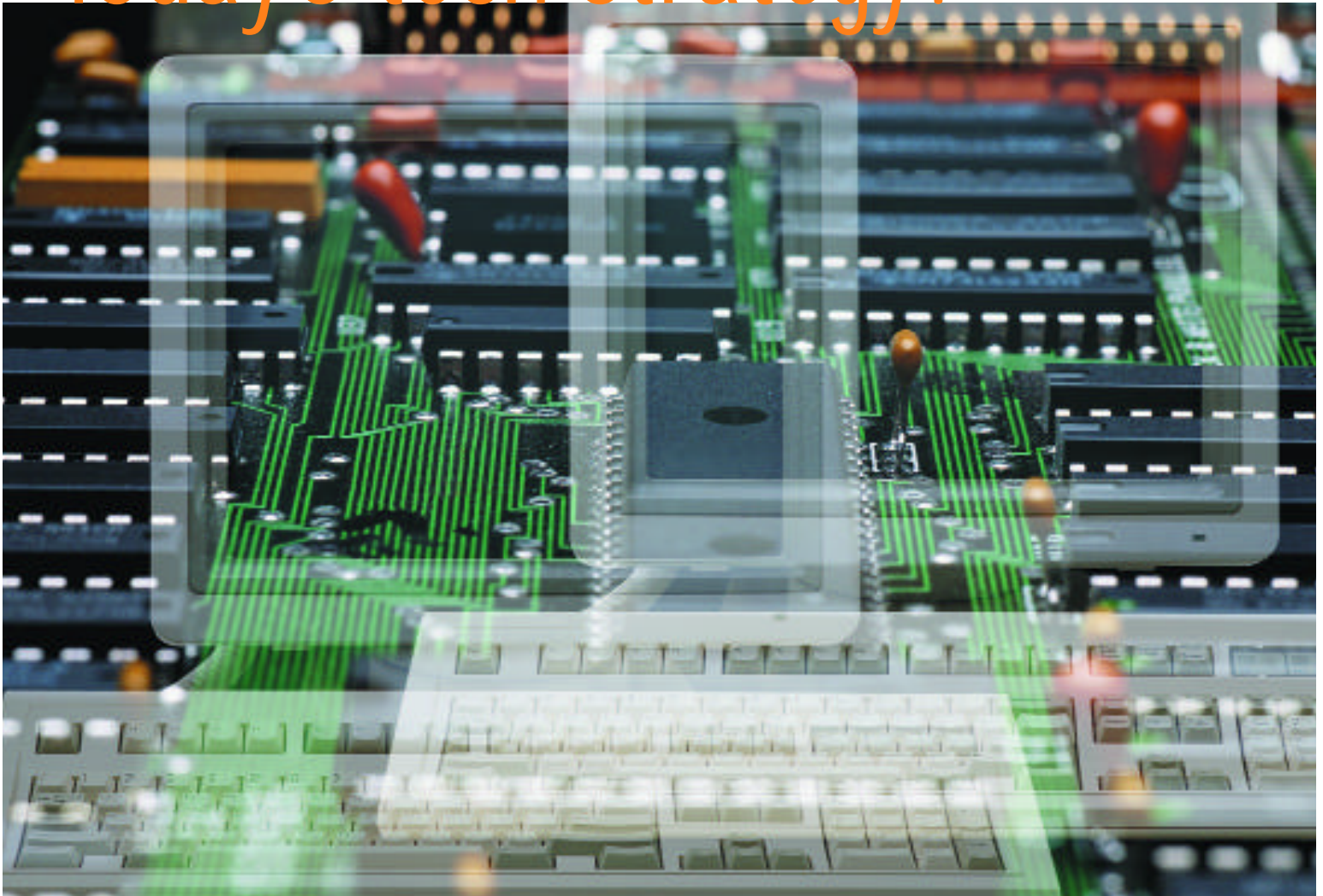


Today's tech strategy?

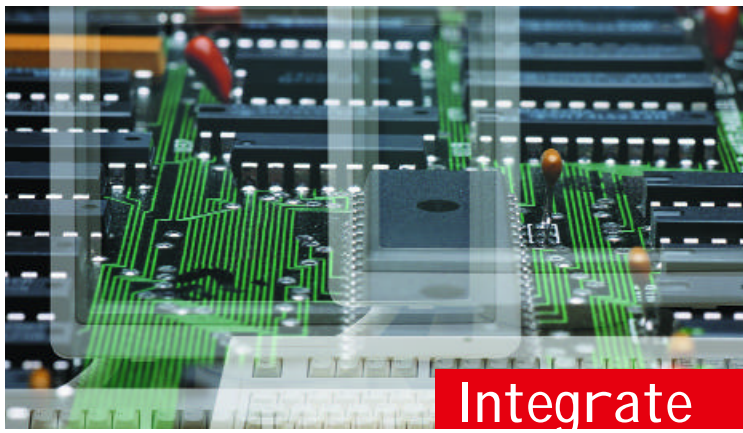


Integrate, integrate, integrate

by Bruce Christy and Scott Muldavin

Real estate executives today have worldwide concerns, pressure to reduce staff and increasing demands to implement solutions faster with a broadening array of complex options at their disposal.


Thankfully, real estate managers today have technological tools that make it possible, although not easy, to meet the challenges. Unfortunately, businesses have often spent



too much time and money on this technology, failing to properly integrate strategic positioning and change management issues with technology expansion.

In the race to adopt technology, commercial real estate has fallen behind other industries. Yet, in this case, it is a blessing to be last to jump the hurdles because the competition out in front has knocked many of them down, stumbling in the process. Even if you are not the fastest, if you keep running after clearing a hurdle, you can still win the race.

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Strategic Technology Integration

Today, partially because of the possibilities of the Internet, strategy is paramount to future success. Michael Porter states it clearly in his recent strategy article:

“Many have argued that the Internet renders strategy obsolete. In reality, the opposite is true. Because the Internet tends to weaken industry profitability without providing proprietary operational advantages, it is more important than ever for companies to distinguish themselves through strategy. The winners will be those that view the Internet as a compliment to, not a cannibal of, traditional ways of competing...”¹

Basic Internet applications will become table stakes - companies will not be able to survive without them, but they will not gain any advantage from them. The more robust competitive advantages will arise instead from traditional strengths such as unique products, proprietary content, distinctive physical activities, superior product knowledge and strong personal service and relationships. Internet technology may be able to fortify those advantages by tying a company's activities together in a more distinctive system, but it is unlikely to supplant them.

The critical role of strategy incorporating the Internet has not achieved traction with real estate executives as shown by a recent survey presented in Realwirednews “... Results of a recent survey of more than 400 top CEOs in this country found that the majority said they promote the benefits of e-commerce publicly to appear ‘with it’ and technologically competitive, but that it doesn't really impact them personally day to day...”²

Technology Adoption Framework

The strategic framework presented below outlines the key issues that real estate executives and managers need to address to ensure a sound linkage between their strategy and technology.

Craft Strategic Position. The six key issues to address in crafting a strategic position include the following:

- What are the right goals?
- How can you deliver a value proposition different from your competitors’?
- How can you create a distinctive value chain?
- Which trade-offs in the service offering or process are you willing to make?
- How well do all the elements fit together for a unified whole?
- Does continuity of direction exist?

Value chain analysis provides a clear methodology to link strategy and technology. For real estate firms, it will be more critical in the future to adopt traditional management consulting tools, such as value chain analysis, to build a sustainable competitive position with customers. Porter succinctly describes the importance of value chain analysis:

“The basic tool for understanding the influence of information technology on companies is the value chain—the set of activities through which a product or service is created and delivered to customers. When a company competes in an industry, it performs a number of discrete but interconnected value-creating activities...The value chain is a framework for identifying all these activities and analyzing how they affect both a company's costs and the value delivered to buyers”.³

Evaluate Structure, People and Culture. After crafting your strategic position, the next step is to evaluate whether your company's organizational structure, people and culture fit the strategic vision. For example, if you determine that more sophisticated support services and training are critical, you must assess your people, information resources, training programs and individual employee performance objectives. Typically, it is not as important to have the perfect strategy or people as it is to make sure the people and structure are aligned with the strategy.

Evaluate Business Systems In this step, business systems need to be evaluated to ensure proper alignment to the strategic vision, organizational structure, people and culture of a company. As has often been the case in recent years for real estate compa-

nies, technology has taken a priority over people and structure to the detriment of many companies. This is changing in the industry today.

Conduct a Needs Assessment. There are many types of technologies a real estate firm can employ—such as in-house development, packaged software, or Application Service Providers (ASPs)—that focus on content management, customer relationship management, enterprise resource planning, back-end transactions, data integration and broadband connectivity. The area of most anxiety to real estate executives is Web-enabling a business—the integration of strategy and the Internet.

There are a large number of key areas in which technology can aid the real estate industry in achieving its strategic objectives. Some of these areas include:

- Asset and property management
- Procurement/facilities management/MRO
- Brokerage
- Development/construction
- Financing
- Customer/tenant services
- Transaction—acquisition/disposition
- Transaction—leasing/marketing
- Transaction—market data and due diligence
- Transaction—insurance and escrow
- Real estate resources
- Real estate alliances

One way to integrate strategy and Internet is to focus on Application Service Providers (ASP). ASPs can support and enhance a firm's strategic position as well as improve operating efficiencies.

Basically, the inherent core value proposition an ASP offers are best

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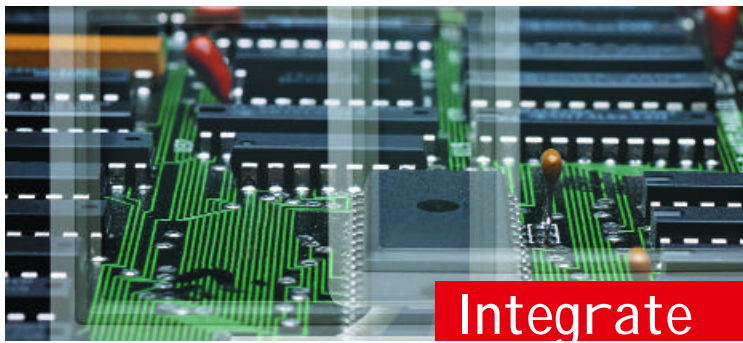
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practices of an IT department and an industry-specific application. The definition of an ASP as stated by the ASP Industry Consortium is the following:

“An ASP provides applications and all the IT infrastructure and support services necessary to deliver them to customers on a subscription basis. ASPs typically host applications at a remote data center and deliver them to customers via the Internet or private network. Complexities in the marketplace are that some ASPs have the internal resources to provide all the services necessary to deliver applications to customers, while others provide only some of these services, such as application or network management - and work with complimentary partners to deliver complete solutions.”

Establish Clear IT Objectives. After the strategy has

been devised and the preliminary decisions on the technology applications have been made, the decision maker must develop IT objectives that drive the upcoming detailed analysis and link all the features of a new application service to the proposed strategy.

ASP Screening Process. In this step, an analysis is performed of the various ASPs or other technology applications that preliminarily seem to meet the IT objectives. It is important to make sure that the ASPs or alternative solution chosen will handle your information and relationship in a mission-critical way. Below are some key issues to consider:

- Costs
- Customer access and service
- System integration and customization
- Security
- Reliability
- Disaster recovery and insurance
- Data ownership and access
- Protection through the Service Level Agreement
- Users' specific perspective touch-points
- Software platform
- Hardware platform

The overall goal at this point is to narrow the list of possibilities to two to four ASPs or alternative solutions.

• *Final Decision Making.* For the ASPs or alternative solutions that have passed the screening phase, the next step is live testing and more detailed questioning. It is recommended that demonstrations be required of only real products with live data. Some of the key questions to address include:

- How long has the ASP been operating?
- Did the provider operate in another area of the technology industry before becoming an ASP?
- What type of technology or business partnerships has the provider formed?
- What is the technological expertise and business experience of the senior management team? Which management team is strongest?
- Is the provider global?
- What does the installed base look like? (Number of customers; extent of provided applications; duration of contracts?)
- Which has the highest revenue and customer growth rate?
- Which has the largest market share?
- Which company has the largest profits?

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- Which company is best capitalized?
- What are the likely take-over targets?
- What is the company's daily operations like? (To evaluate the provider effectively, plan to conduct a site visit of its operations.)

It is also critical, prior to final decision making, to consider essential implementation issues such as:

- The maximum number of systems you can refine in a 12-to-18 month time period, focusing on Information Technology department internal resources
- Employee training requirements
- The company's culture. Is the company's corporate culture predisposed to change and technology? Do employees easily accept change? How much can they endure in 12 to 18 months?
- Development of internal technical support, training and maintenance staff. This step should be completed as soon as possible.
- Buy-in from the firm as a whole

Contract Negotiation and Closing. The next step is to negotiate and close the deal. Legal, as well as technical counsel, is critical to this process. Some key issues to address include terms and conditions of the product sale; support services; product upgrades; project management roles and responsibilities; termination conditions and requirements; and clarification of account management relationships.

Implementation and Management. Once the contract is negotiated, the vendor relationship must be managed closely. It's a good idea to establish a schedule for regular meet-

ings and manage an ongoing list of issues, as well as track performance and responsiveness.

Preparing to Win the Race

Without question, competitors have been training harder and improving their diet in terms of knowledge and experience with the integration of strategy and technology. Firms are gaining market share and winning more often by increasing enterprise value. Unfortunately, there are many examples of firm failures when the integration of an Internet application to aid in strategic repositioning or systems improvements was unable to achieve its goal.

Utilizing a clear and crisp decision framework to aid in the

blending of strategy, technology and people will play a significant role in the success of a firm which is trying to win the gold medal in its industry niche.

¹ M.E. Porter, "Strategy and the Internet", *Harvard Business Review*, March 2001.

² *Realwirednews*, April 10, 2001 (Volume 2-Number 15).

³ M.E. Porter, "Strategy and the Internet", *Harvard Business Review*, March 2001.

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