

European Union?

The questions have been hanging over us for some time now - should we join? What's in it for us? Will we have to do what the others tell us even if we don't like it, whilst they blatantly ignore all the rules? Will our jobs melt away to lower cost economies? Even when we are speaking the same language, do we really understand each other's needs?

These are the problems our political leaders are wrestling with across Europe, but if they sound familiar at a more immediate level, I expect it is because your organisation has been considering whether to adopt a single European property management system.

This issue seems to have come to the fore recently in a number of organisations we have spoken too, whether Investors, Corporates or Managers. Just as in the wider context of European union, there are different models, passionately supported by entrenched camps:

- First, there is the centrist camp - "We will implement a single system across all our operations in all countries. This will be efficient and economic."
- Then there are the die-hard nationalists. "Every office should decide for itself in the light of its own requirements. The people on the ground know best."
- Somewhere in the middle are what one might call the federalists. "We don't all need the same system; we just need to have the same reporting. Then everyone will have access to the same information without imposing too much control."

Depending on the overall level of integration within your business and whether you want that level to increase, the right option for you could be any of these. Let us look at the options individually and consider what the advantages and disadvantages of each might be.

Option 1 - Centrist - The Single System

This might be a single property management system or, for the largest organisations, the implementation of the real estate module of one of the enterprise systems such as SAP or JDEdwards (Oracle). This type of implementation will take many months to achieve and will have a major impact on your business during the change.



Advantages of the single system approach

- A single system supported centrally, should lead to cost savings in implementation and on-going maintenance;
- If the same data is recorded across all countries, benchmarking for cost, profit and performance should be easier (however, bear in mind that not everyone likes transparency!);
- Agents with a multi-national client can add value by using aggregated information to identify opportunities;
- Multi-nationals will find it easier to manage the portfolio and identify opportunities for improvement with consistent data;
- The streamlining of business processes - necessary for any good system implementation - should drive efficiency, cut cost and identify best practice to be shared across the organisation;
- When you are put on the spot by the Board you will be able to answer the questions "What is the level of voids in the French portfolio?" or "What proportion of tenants failed to renew in UK compared with Germany last year?" promptly without having to promise to come back with the information a week next Tuesday (assuming the comparable information actually exists);
- If the systems is a module of an enterprise system, then integration with the financial and accounting parts of the business is also possible.

Disadvantages of the single system approach

- If the business being conducted in each country is significantly different, is there anything to be gained by using a system which will suit only one - or none if it is a compromise choice? For example, within a managing agent, some countries may concentrate on transactions, others on management, depending on the local market
- It is highly likely - in fact, I would almost bet the farm on it - that even if the type of business is the same across all countries, the business processes in each country will differ. Whose processes are going to

be adopted to enable implementation of a single system? The creation of uniform business processes in one country can be time consuming and expensive; to do it for many countries requires yet more skill, experience and resource.

- Different legal and customary requirements may make it unlikely that you will be able to select a system that is going to suit everyone (despite what the salesmen say!);
- There may be internal resistance to having one country impose its local system on the others, even if it is reworked; bear in mind that bespoke changes to systems which enable them to service several countries can be expensive;
- How do you agree the "footprint" of the system's functionality? In particular, the split between Estate and Facilities management which in the UK and US are often treated separately but in continental Europe are usually integrated;
- The cost and effort of getting agreement to a specification, a selection and an implementation is huge in one country - can it be justified for several?
- If one country needs a new systems and another does not because its own works well and the organisation uses the first country as a catalyst to start the project, how should the costs be allocated?
- What about language - should the system be in one language or have translated user interfaces?
- If you implement a joint system as a big bang, it can be costly and risky, but if you implement piecemeal, there will be no comprehensive data structure at inception so each country which has been completed will need to be re-implemented to allow for additional data in the new implementation.



Advantages of the individual system option

- Each business can select a best of breed, country specific solution which matches its specific business needs;
 - There are no (local) problems with language (reporting is another issue altogether);
 - An individual business will not have to work with a non-optimal system - maintaining staff morale;
 - If the businesses are individual cost and profit centres there will be no questions over subsidising costs in another location;
- It will still be difficult to get agreement on streamlining the business processes but much easier than doing so internationally;
- A system supported locally is likely to give more personal service to users;
- Fewer internal political issues;
- Selection and implementation should be quicker than for a multi-national system.

Disadvantages of the single system approach

- There is unlikely to be consistency of data across the systems in each country. This will make benchmarking difficult for corporates and reduce the opportunities for managing agents to deliver cross border reports to multi-national clients;
- If multi national reporting is required (which an increasing number of corporates demand), then amalgamating and analysing the data from different systems will be difficult, time consuming and labour intensive;
- The opportunity to share best practice and streamline business processes across locations will be lost;

- Little opportunity to minimise IT support and maintenance costs;

- The opportunity to achieve cost savings on the initial implementation through economies of scale is lost.

Option 3 - Federalism - The mid-way approach.

There are actually two possibilities here - the cluster approach and the data warehouse.



Option 2 - Die-hard Nationalists - Retaining individual systems

Each country implements or replaces a system in accordance with its own requirements and supports and maintains that system.

The cluster approach

Rather than one cross border system the business may create clusters of countries with similar legal requirements, business practices and reporting needs and select a system to support each cluster.

Advantages

- It should be easier to agree a streamlined set of business processes where the countries already have some similarities.
- The absolute number of systems, and hence the levels of support and maintenance required can be reduced;
- It is more likely that agreement can be reached on a common language;
- If the cluster countries are able to decide on the system to be implemented there will be fewer political issues to contend with.

Disadvantages of cluster approach

- The opportunity to review business processes across the whole organisation will not be taken up;
- If a business requires reporting across different clusters the difficulty and expense of amalgamating and analysing the data still remain;
- IT support and maintenance is not completely harmonised, leading to higher on going costs;

The other possible midway option is the data warehouse used in conjunction with sophisticated reporting tools. By data warehouse, we are not talking of the strict definition but a generic term to cover all databases which gather information from many systems in order to report it in aggregate - as such, this could form part of the cluster solution. This approach is currently being talked about by many firms who are frustrated at the constraints of single system implementations.

A data warehouse will extract a predefined set of data from all the individual



systems. Reports can then be drawn from this subset of data. Depending on the specification of the data warehouse and how it is implemented it should be possible to drill down into the underlying data.



Advantages to the data warehouse option

- The key high level objective of integration is to achieve uniformity of output i.e. reporting, rather than uniformity of input i.e. the underlying data. A data warehouse can achieve this objective.
- It will be somewhat easier for an organisation to agree on the reporting output rather than the standardisation of underlying business processes.
- The very fact of discussing and agreeing the core set of reports will also go some way down the road of integrating the business. It will be apparent how similar, or how different, parts of the business are and enable senior management to begin to look at how to gain efficiencies across the business;
- Additionally, if new businesses or locations are brought in, it will be quicker and easier to integrate their reporting if a clear standard has already been laid down.



Disadvantages of the data warehouse option

- Whilst it is fair to say that specifying and implementing data warehouses should not be as huge a task as implementing a cross border property management system, do not underestimate how difficult and time consuming it will be. Many of the aspects of defining a data warehouse specification, such as defined metrics and reporting, will be common to both approaches. Interfaces will need to be built and maintained and in house specialist support and maintenance teams required; this is not a cheap option;
- By retaining a variety of underlying systems the organisation will have higher levels of maintenance and support;
- The opportunities for streamlining business processes that a single implementation would afford will not be taken up;
- If reporting requirements change the data warehouse will require modification.

Conclusion

Unfortunately, just as in the wider world, there is no quick answer to the question of European Union - the goal of integrated data is an excellent one but achieving it can lead to endless, expensive projects that get bogged down in minuscule details with no-one having the ability to take control and push through the tough decisions. It is likely that you will be starting from a position of different business processes, different data sets and different reporting requirements and standards. None of the options is easy and all will take from a minimum of 4 months for one implementation in one country to possibly two years for a single system implementation, depending on the size and structure of your organisation.

Our advice would be to start by looking at the outcomes you want to achieve - what reports and data do you want to have centrally - and then by working out the best way to achieve that in both the short and the long term.

The short term solution may well be some type of data warehouse, but to achieve long term process efficiency you will need to look not just at your systems and the information contained therein but at the underlying business processes. Are you Centrist, Nationalist or Federalist?

Regardless of your politics, the approach you take will shape your company for many years.

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