

feature



fear

no

change

Organizational Strategies Help Real Estate
Companies Capitalize on Change and Innovation
by Larry Schwenker, CPM[®], RPA, CCIM

For real estate companies, the rapid pace of technological innovation has created a business environment that is seemingly in a state of perpetual change.

At the same time, property and real estate managers and those who lead real estate management organizations realize the need for consistency and stability in the way they manage their properties.

In order for any significant change to be introduced successfully to an organization, many factors such as training, communication, changes in work processes and the financial impact, must be taken into consideration.

Change is Certain

Technological innovation and the corresponding changes to the way companies conduct their businesses is inevitable. Companies must determine how they plan to manage the changes within their organization.

The decision a company must make is really not whether or not to innovate—rather, the decision involves choosing the appropriate pace of innovation. Regardless of how an organization decides to approach innovation, the industry will eventually adopt certain technologies that become generally accepted business practices.

Consequently, every company decides what approach it will take regarding innovation—to lead, follow or to fall somewhere in between. Even the *de facto* decision not to formally address the issue establishes a company's position in relation to competitors in the market.

Because of the potential impact that effective change management can have on the overall success of a real estate company, leaders should carefully con-

sider what strategy to employ regarding their overall approach to innovation.

Author and management consultant Peter Drucker said throughout his work that change is certainly viewed more as an obstacle than an opportunity. Much has been said about our inherent resistance to change as a result of the uncertainties involved. In the void of a long-term strategic vision, leaders are forced to deal with change “as it comes.”

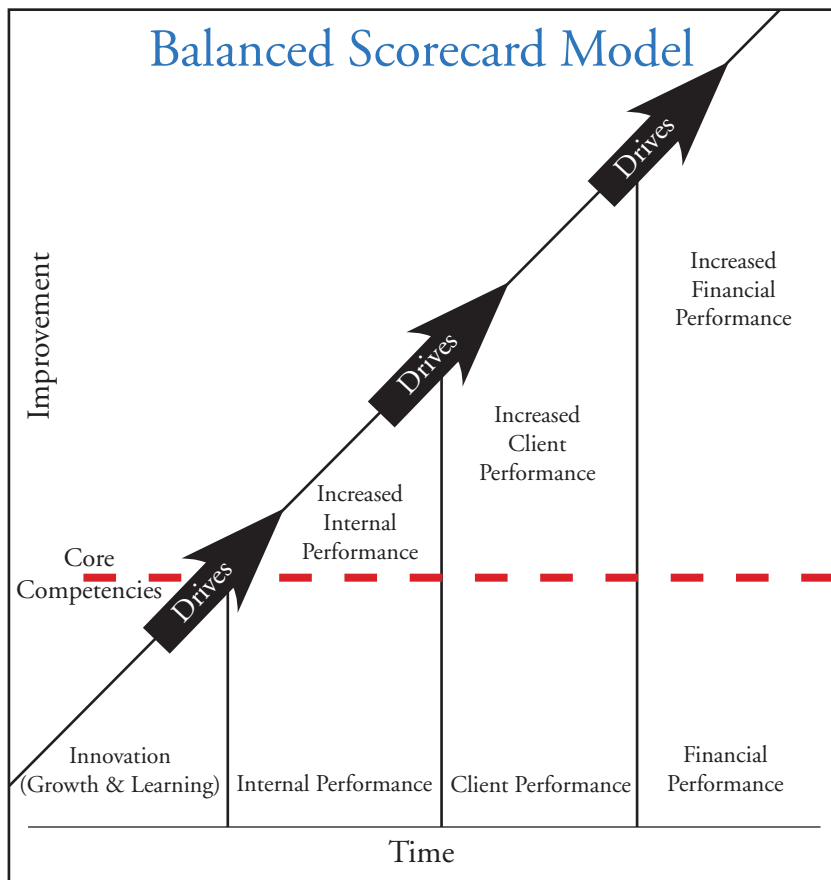
Alternatively, property management organizations that realize change

is inevitable and choose to embrace it as a part of their business strategy stand to benefit greatly.

At first glance, the goal of consistency and change may seem mutually exclusive. However, by examining the two goals from a different perspective, it is possible to see they can be achieved simultaneously. By using an operating structure that facilitates systematic change, organizations can not only adapt to change, but even leverage it in a way that can differentiate their services.

Mindset Modification

Undoubtedly, creating an organization that can consistently leverage innovation to establish a competitive



Adapted from *The Balanced Scorecard: Translating Strategy into Action*, by Robert S. Kaplan and David P. Norton.

C

ompanies with a strategic approach to innovation can differentiate themselves from their competition.

advantage is not a short-term proposition. There are many factors that play into the success or failure of such a strategy.

The essential starting point is at the top of the organization. Company leaders must be willing to embrace and implement a business model that acknowledges innovation as a foundational component of the business operating strategy. Instead of simply allocating a portion of the company

resources to improvement, organizations should possess a built-in mechanism for continual innovation.

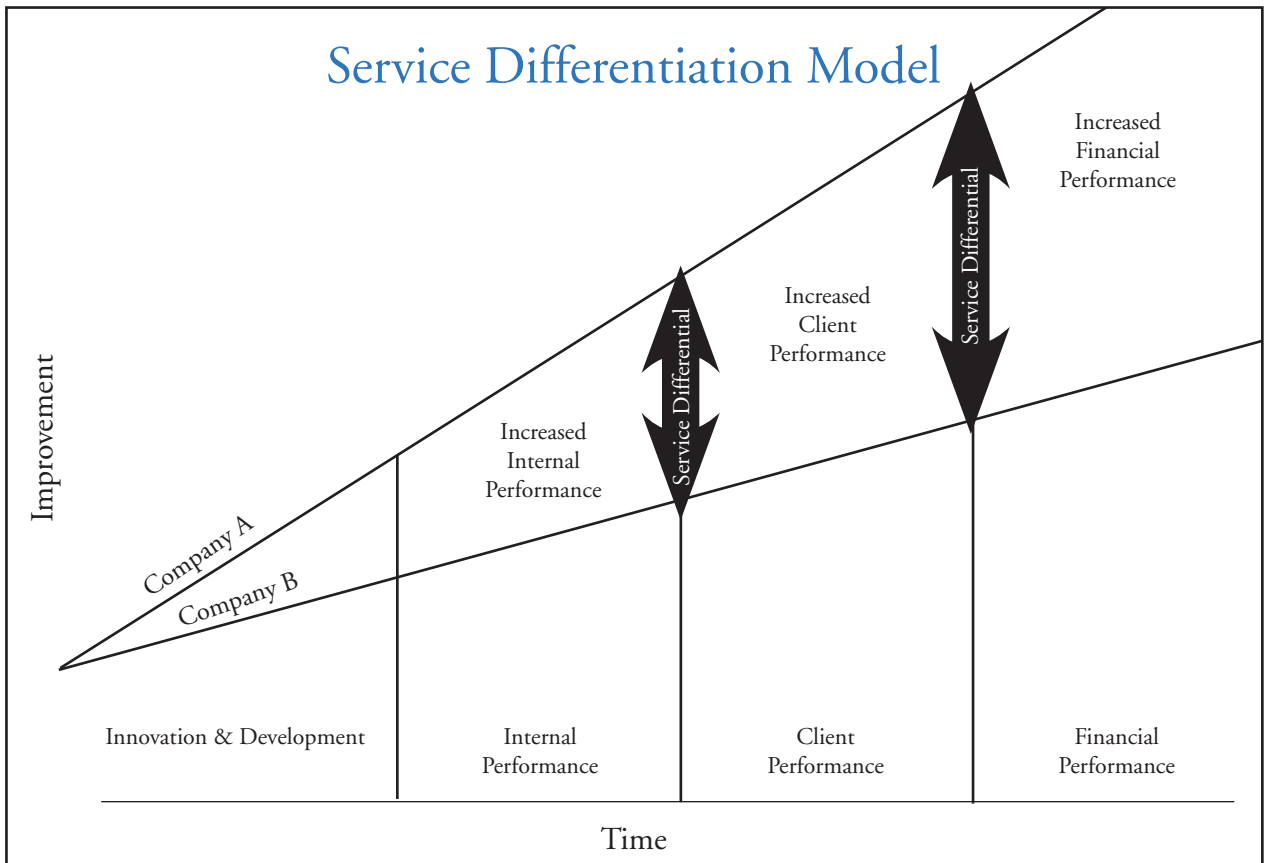
The Balanced Scorecard approach to strategic management, developed by Dr. Robert Kaplan and Dr. David Norton, is one business model that can effectively illustrate the components of a continuously innovative company.

This model is not intended to be a road map for the creation of an innovation strategy. Rather, it is intended

to illustrate the strategic mindset of a company that is structured for continual innovation versus a company that maintains a static operating platform.

The Balanced Scorecard model views organizational strategy and objectives from four perspectives: financial, client, internal, and learning and growth.

This model views innovation (growth and learning) as the foundational requirement of improvement in all organizational perspectives and the “root” of increased performance in all four sectors. It also identifies the relationship between organizational capabilities, customer satisfaction, and ultimately, financial performance and the need for measurable improvement in these areas. As the company



Adapted from *The Strategy-Focused Organization: How Balanced Scorecard Companies Thrive in the New Business Environment* by Robert S. Kaplan and David P. Norton.

continues to innovate, improvements in core competencies drive increased performance in internal operations, client performance and financial performance.

Viewing the organization from this perspective allows for the creation and implementation of a strategy that ties together two seemingly opposing forces—internal measures of building long-range competitive capabilities and external measures of short-term financial results.

A company employing this approach has innovation built-in to their business strategy and works to systematically increase the core competencies of the organization.

This model also illustrates another factor that is essential to successful innovation—being able to identify the right opportunities to innovate is just the beginning. These opportunities must be transformed into tangible results. As mentioned earlier, in order for any significant change to be successfully introduced to an organization, many factors must be taken into consideration.

Stand-Out Strategies

Companies with a strategic approach to innovation can differentiate themselves from their competition through their ability to deliver innovative solutions and superior services to clients. This competitive advantage is determined by the extent to which a company can successfully, efficiently and uniquely implement new technologies into their practices.

As illustrated in the diagram at left, the speed of innovation (speed to market) is of critical importance to companies choosing to compete in the area of innovation. There is a limited window of time for innovation to cre-

ate a service differential (value-added service), versus a service or level of competency that the market generally expects. This window is defined as the time between the initial offering of the service and the time that the value added service is generally expected by the market.

Therefore, the long-term success of an innovative strategy is not determined by any specific innovation. It relates more to a company's ability to capitalize on service differentiation by consistently beating the market and successfully identifying opportunities and implementing new technologies in a way that delivers increased value to the organization.

Steps to Innovative Success

When most people think of innovation, real estate management is probably not the first industry that comes to mind. Perhaps it's true that the service industry and real estate management companies don't stand to benefit from an innovation strategy as much as manufacturing industries; however, by its very nature, the real estate industry presents some unique

opportunities for innovation. Perhaps now more than ever, the changing world around us will require real estate managers to be more creative.

Here are some practical steps that property managers can follow to minimize the risk and cost of innovation:

1) Implement to Innovate. It is important to point out that, from the property management perspective, technological innovation means implementing available technologies. We are not attempting to develop new technologies. This approach limits risk by shortening our return time, lowering investment and development costs, and increasing the probability of successful implementation.

2) Identify Innovative Industries. Depending on what area of business is being evaluated, real estate managers should look to other industries for proven solutions. The real estate industry tends to lag behind when it comes to technological innovation. The reason for this is our industry is comprised largely of small-to-medium size companies lacking the capital resources for large projects.

In order for any significant change to be introduced successfully to an organization, many factors such as training, communication, changes in work processes and the financial impact, must be taken into consideration.

Reprints: Material in this publication may not be reproduced in any form without written permission of the publisher. For volume reprints or e-prints, contact IREM Customer Relations at 800-837-0706, ext. 4650.

Copyright © 2008 Institute of Real Estate Management. All rights reserved.