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Driving the strategic decision: Why more companies are moving to IWMS

Introduction

Although technology's role in the management of real estate organizations is no longer debated, a significant debate continues as to the correct technology model. While the Integrated Workplace Management System (IWMS) solution set is typically a top contender in these debates, Phil Wales *CEO of Houston-based eBusiness Strategies* (www.askebiz.com), looks at the technology landscape and how IWMS fits within the picture.

Continuum of software options

Finding a real estate solution in today's world is not a problem. The issue is just the opposite, with a seemingly endless list of solutions on the market. For example, a recent study conducted by

CoreTech, the corporate real estate technology focus within RealComm, cited more than 750 real estate applications on the market. So, with this plethora of options, why pick an IWMS solution? Let's explore this issue.

First, two significant groups of solutions are represented: operations automation and workplace management. A significant number of these applications serve a specific controls automation role, such as building management or security. When the focus is on the control of assets offered by these very specialized tools, IWMS is not an option. However, when managers are focused on workplace or operations management, the technology options are still numerous and that discussion follows. In the continuum of software options associated to managing day-to-day operations of real estate services, the two extremes are: Point Solutions and corporate Enterprise Resource Planning (ERP) systems.

Point solutions focus is on addressing one particular area of service. They typically provide strong functionality in that area and can be simply implemented due to no cross-functional activities. This unique combination of strong functionality and simple implementation drives many organizations to consider the Point Solution approach for managing their real estate portfolio. However, the problem with this approach is that the portfolio is not one dimensional. More systems must be purchased and supported, with different training required for each, and there is no data sharing, no leveraging of analytics and no way to consolidate the information and report up. Typically, the latter is only possible through substantial spending on a data warehouse integrating all the systems and installing a reporting engine on top of it.

Ironically, through all the separate buying, installing and tying together, a company is creating its own IWMS system but at a considerably higher cost than purchasing an actual IWMS outright. Plus, the ongoing maintenance cost is virtually prohibitive. This risk and cost has not gone unnoticed throughout corporate America, and specifically within CIOs' offices, leading many companies to push for technology consolidation toward one inclusive system. The extreme of this direction is the push to use the corporate ERP system for real estate, which is a conceptually plausible approach since the ERP system manages many other functions in the company. The reality, however, is that current ERP systems are primarily financial systems and cannot handle the vast majority of day-to-day operational functions in a robust corporate real estate organization.

For example, ERP solutions can't handle space management and are weak at both lease administration and facility maintenance. Consequently, companies effectively abdicate a lot of operational capabilities in order to utilize an ERP system for real estate. To their detriment, those that have attempted to use an ERP for real estate almost invariably find that employees end up creating shadow systems (e.g., in EXCEL) to deal with the huge gap in capabilities needed for day-to-day operations.

Five integrated modules

Neither the Point Solution nor the ERP option is inappropriate in all cases. However, on a comparative system basis, IWMS is more effective than either of the end points on the technology continuum because it was defined to be a single repository of all real estate data. That singular capability solved the complexity and disconnects of the Point Solution approach while also providing rich functionality not found in ERPs.

In fact, IWMS alone will not typically address all the real estate management requirements. Instead, the optimum model typically involves the deployment of an IWMS for real estate operations with integration to the corporate ERP system for consolidated operational, financial and Human Resource (HR) reporting. With the numbers continuing to roll in, more companies are voting for IWMS as the best system consolidation solution. In a "balancing act," they get a fully functioning system that can be configured as necessary for critical activities which may be missing and accepting some less critical activities which are not included.

And just what do users get upon purchasing and implementing an IWMS system? They get a single, integrated real estate-focused solution that addresses all operational areas of the five core functional areas: (1) Space Management supports the best utilization of space. This module, with features including CAD/BIM integration, strategic facilities planning and reservation scheduling, manages occupancy and tracks the movement of people and assets within the portfolio. (2) Operations and maintenance allows for the tracking and operational efficiency of physical assets that enable a facility to operate. This module also typically lets users be predictive and/or manage asset condition assessments so they know the right protocols to use. (3) Real Estate Management controls the transactions that drive selection and delivery of portfolio assets in a timely and appropriate manner and includes Lease Administration. (4) Capital Project Management allows management of large capital budgets against multiple (even thousands for some companies) projects. For example, users can determine which projects are "above the line" to get done and which are below, thus getting deferred. It also allows users to actually manage the tasks, budgets and schedules of facility projects. (5) Sustainability and Energy Management are for the increasingly "green" environment facility requirements and include integration with Building Management Systems (BMS).

In the vernacular, IWMS is the "total package" by including all that an organization needs throughout the entire real estate lifecycle: an integrated portfolio solution. By its functioning within an integrated database, users do not have to contend with having the same portfolio data scattered across half a dozen different systems (as is the case with point solutions) nor find themselves having to create shadow systems to fill in the voids of when forced to use ERP systems for operational activities.

Whether Bigger equals Better: Making the case

An overarching question involves whether IWMS is ideal for every company, not just the mammoth ones. Actually, for the Fortune 100 IWMS is now almost exclusively the solution of choice. But is it the right choice for smaller organizations? Does the “bigger” IWMS solution equal a better solution for everyone?

The answer is no. However, it is a very rare corporate or public-entity real estate organization that will find the ERP approach to be optimal either. The unique set of stars that must align for ERP to actually provide adequate support is so rare that it can't be covered in this overview. Suffice it to say, if ERP is being considered, move ahead with extreme caution.

In the other extreme, point solutions may be the right approach where a company is smaller or has outsourced a significant portion of its real estate operations to partners. With acceptable effectiveness, point solutions can fill the internal technology void for operational portions still handled inside. These solutions may also be appropriate where the real estate operations are distributed – operating in their own silos, thus having little pressure to share data. Again, however, proceed with caution. The processes around the real estate operations may be broken in many of these cases and implementing point solutions may simply result in enhancing the disconnects.

Finally, a class of software known as Computer-Aided Facility Management (CAFM) is available on the market. CAFM was the predecessor to IWMS and there are still several very solid CAFM tools on the market and featuring many IWMS qualities (such as being fully integrated, consolidated reporting and a support for several of the five modules mentioned earlier). In a smaller organization where the portfolio is fairly simple and optimization of business processes is not a requirement, CAFM systems can provide a solid, back-office tool to manage operational data.

However, IWMS should not be dismissed. When there is a need to be able to accurately monitor and maintain critical corporate assets, which require strong operational functionality integrated to let them see how a decision's impact in one area affects another area's operations, IWMS is the right solution. All kinds of holistic decisions are being made which affect the entire lifecycle of the portfolio, not just a single point area. Another is risk mitigation. When using an ERP system, employees will invariably develop shadow IT systems for their daily work, as noted earlier. Thus, point solutions are being created and introducing the risk that data is not consistently being reviewed and may not match.

As a result, corporate executives are narrowing the technology solutions for corporate real estate and requiring better analytics around how money is used. So, no longer is the issue exclusively about how many work orders were closed or how many people were moved but about how those decisions affect the company's bottom line. The message from real estate managers is not anti-technology but about how the corporate mission will be addressed, by emphasizing how real estate operations have been streamlined to support the corporate mission and how IWMS is the integral tool.

Moving Forward with IWMS

Driving the strategic decision about why more companies are choosing IWMS are all the reasons associated with having a single integrated platform with the five core components. Aside from operational advantages, cost is typically an important deciding factor in the high dollar environment of technology systems and the IWMS selection is no exception but it wins on a very practical basis in that cost must be weighed against risk and value.

Specifically, point solutions may appear to be less costly because companies can buy, install and implement them one at a time and if ERP is already owned by the company, there exists a false notion that “we already own the software, so the solution is free.” However, the reality is that the point solution extreme provides such a small portion of the actual operational requirements that significant costs – and ongoing risks – are required to integrate and report in a holistic manner.

For an ERP approach, high dollars must be spent building out custom applications to enable a small portion of the business requirements to actually function within a corporate financial system. Even then, this approach forces companies to do much more manual activity or create shadow systems, so decision-making risks increase significantly.

Ultimately, IWMS is realistically the most cost-effective solution, with a higher ROI. Essentially, IWMS moves operations out of the back office and becomes very visible as well as critical to corporate success. It also provides real-time, integrated data reporting analytics to address needs and can change swiftly to address corporate survival. Technology is not the ultimate answer but IWMS is the right platform to enable the optimum solution.