Delivering Value Through Effective Property Management

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A Google search for property audits will show a surprising number of audit results, many from Government agencies, some from educational institutions and non-profits. Sampling just a few of them, one would find the auditors reporting issues with data quality, untraceable assets, disconnects between the procurement function and property... the list is long. By its very nature, property management is complicated and spans the entire organization and multiple groups. Effective property management which integrates well defined processes and technology enablers with a well-trained and empowered work force is a value creator for any organization, including yours, and the audit no longer needs to be a feared event.

The Human Value of Property

Before we discuss “Effective” property management, it might be instructional to understand the essentially human value of owning property. Ownership of property is a fundamental tenet of any free society and a personal trait of human character. We like to own and have pride in what we own which is why communism failed as an ideology. Owning property was sacred since Roman times and the old English saying that a man’s home is his castle is a perfect reflection of that sentiment. Before it became “life, liberty, and the pursuit of happiness” in our Declaration of Independence, John Locke wrote that man has a right to “life, liberty, and property.” As individuals, a vast majority of us in the USA are proud owners of our homes and personal cars. As individuals we rarely draw up a personal balance sheet but what we own are our “assets” and what we “owe” (like the home mortgage) are our liabilities. Over time, we aspire to keep increasing those assets and decreasing or paying off those liabilities. The same is true of Government and business organizations. Property has value (as we will see), which is why Governments ever ready to tax us will levy property taxes and increase them every opportunity they get. Most of us take good care of our property and assets. However, regrettably the same cannot be said of most public sector organizations (like the Government) or even large companies.

The Issue: Not Valuing Property Management

When it comes to the Government, companies, educational institutions or even non-profits, property management is often not given the same value or consideration as their other business departments such as IT or Human Resources (HR). The fundamental problem I believe is that we in the property management community have not ourselves learned to appreciate that value and more importantly articulate it convincingly to our organizations and leadership. This is no reflection on the caliber or sincerity of property managers but based on dispassionate observations working for many years with very good, hardworking property professionals in both the Government and commercial sectors. In most organizations, property management is a necessary evil for senior management. They do it because there is some law or guideline (for Government agencies) or a company policy. In most organizations, property management is a collateral responsibility (in addition to a main job) for most of the people involved in property management functions. Senior management will often view property management as a cost center sucking in much needed budget dollars that could be used elsewhere in the organization. This is much like saying I just bought my house but I am not going to spend a dollar maintaining it, with imaginable consequences. The fundamental problem with this lack of value perception boils down to Other People’s Money (OPM) made very popular in the movie of the same name. We do not own these assets held by the Government or companies as individuals. They were purchased with OPM such as tax payer dollars or shareholder dollars. Often the hope is that these assets will somehow manage themselves which is far from the truth, as we all know. So how do we in this community articulate the value of property management and more importantly effective property management? More fundamentally, if you are not able to articulate the value, you will not have the support to implement the ideas discussed in this article.

Defining the Value of Effective Property Management

Depending on which dictionary you look up, value is defined as the worth, merit or benefit of something. With property management this value often becomes apparent only when there is an audit and certain property or assets are not accountable. The worst case scenario
is when this becomes a screaming headline in the national media like the example shown in Figure 1. For most property managers in the US Government there is no more worrisome scenario than an audit by the Office of the Inspector General (OIG) or worse the Government Accounting Office (GAO).

It is not just Government agencies that face audits. Most companies have external auditors who review their accounts including assets and property. When adverse findings or news headlines happen, the top down rain of criticism and condemnation can become a deluge leading to jobs being lost not just in property management but with senior leadership as well.

VALUE ONE: A key value of effective property management is risk avoidance. Effective property management will account for the property/asset pipeline from procurement to excess. Audits do not have to keep you awake. In other words avoid the risk of adverse publicity and lost jobs.

Even if purchased with OPM, all assets have value and we have a moral and ethical responsibility to ensure they are not misused, pilfered, stolen or destroyed. In World War II during the lead up to Operation Torch, the allied landings in North Africa, thousands of ship loads of material had been sent to Britain as aid and under Lend-Lease. However, they had been stored in warehouses all over Britain. It was concluded that it would take much longer to track down all that material, so US Army logisticians shipped many scores of new convoys of material to Britain for this operation³. Today with all the IT systems and modern technology that profligacy still continues. During the two Gulf Wars and the aftermath, audits have found millions of dollars of assets missing or untraceable in theater⁴. At the end of the day, the vast majority of the OPM which went to buy those assets is your money, our money which we worked hard to earn and pay as taxes or what posterity will be paying as interest on borrowed money. The lack of adequate and effective property management ends up in more cost for stake-holders, such as taxpayers (Government scenario), shareholders (commercial organization) or donors (non-profit).

VALUE TWO: Effective property management will reduce costs for stake-holders. Effective Property Management can assist in building a solid balance sheet and improve profits. A dollar not spent buying something can be a dollar less in taxes or a dollar more in profit. This value proposition will appeal to anyone in leadership. Nothing talks louder than money.

VALUE THREE: Effective property management provides insight into quantity, quality and value of assets which will enable better decisions on procurement, accurate depreciation/amortization and securing institutional/proprietary/privacy data.

While these value statements are generic and may apply to most organizations, there are other values intrinsic to the mission and market positioning of each organization. Working with clients, often I have found this to be a process of engaged discussion and facilitation to extract that value, define it and present it. It can be an eye opening experience for everyone including senior management.

Selling it to Senior Management

I run a small business and like most small businesses, we watch every dollar we spend. In the current economic conditions, we are faced with tight budgets and the promise of tighter budgets to come. At the time of this writing, the Government is teetering on the edge of a fiscal cliff and companies have been tightening their belts for years. During my 20+ year consulting career, I have heard stories that are apocryphal about some CEO or CFO asking “how many of items X do we have” or “what is the value of item X across the business”. People run off in different directions, return with multiple excel spreadsheets all of which are wrong. I know of results reported to Wall Street that were based on inaccurate data. Even in today’s world of IT systems that are supposed to be “state of the art” data insights and data quality leave a lot to be desired. As we will see, data quality and efficient processes go hand in hand.
our small business world, effective property management starts with our procurement process through processes for effective utilization and finally paying our due share of property taxes. In this case, I am the senior management and I know that if we don’t manage what we own effectively, it is going to affect our cost competitiveness and ability to compete in the market. Sadly, this is not the case with most senior management in Government, and bigger commercial, educational or non-profit organizations. These senior management professionals have earned their positions through hard work and capability. Most are not un-deserving of their positions. So what is wrong, you might ask. It’s just that they do not know what they do not know. The impetus has to come from the property managers and your organization. You need to educate them and articulate the value of effective property management. 

SELLING EFFECTIVE PROPERTY MANAGEMENT TO SENIOR MANAGERS
1. **Sell the value of effective property management.**
   Let them hear how it reduces risk, saves money and makes the organization better.
2. **Quantify and sell them on the Return on Investment (ROI).**
   Don’t ask them for a budget without telling that what their function is. You have the ingredients for a quick trip to the nearest fast food, wallet permitting. As I have learned since then, cooking is all about a sequence of steps, some in parallel. Do not hesitate to say you can do the job with a lower budget than last year, if you can.
3. **Get them involved.**
   Build them a role in your property management processes. It can be a periodic review where you show them results and metrics (such as ROI). Co-opt them as a stake holder. Show them how they might get promoted because of the value you delivered.
4. **Keep them informed.**
   Highlight the metrics from a successful audit. Share stories of adverse newspaper headlines, the other guy’s bad news that could have been yours.
5. **Show them the money.**
   Demonstrate savings through process improvements, new technology and tools, reduced procurement, etc. If the number of assets you manage decreases while the organization delivers the same or better results, that’s fantastic news for the stake holders.

**Effective property management starts with efficient processes**

I enjoy cooking when I get the time. It is a great stress reliever and the only thing better is when the family says the food was great. I don’t get to cook as much, but I remember my bachelor days when cooking meant putting a bunch of ingredients in a pot and nuking it until the goulash was edible. If not, it was a quick trip to the nearest fast food, wallet permitting. As I have learned since then, cooking is all about a sequence of steps, some in parallel, many one after the other and adjusting the heat as needed. These steps are more often than not captured in a recipe. Similarly, effective property management starts with designing the process for your organization. Even within a large entity like the US Government, there is no one size fits all recipe. Effective property management processes have to be designed to achieve the goals of that organization depending on its mission, its structure, history and culture.

By its very nature, property management is a holistic process involving many individuals and roles across the organization starting from the property manager to procurement, receiving, property representatives, users, custodians, inventory specialists, warehousing and finance. I have rarely seen a well-designed and documented process that says this is how we do property management. Some organizations have forms, directives and a “manual” on their website (perhaps because they have been asked to do so) but there is rarely a well-defined set of processes that people can understand and follow irrespective of what their function is. You have the ingredients but no recipe.

So how do you go from where you are to effective property management processes? Start with the mission goals and what you have. I recommend the following 5 step approach in sequence. If you can’t do it on your own, get qualified professional help.

**ONE**

**Mission goals and drivers**

Start with a clear understanding of your organization’s mission and how effective property management can help fulfill that mission (Figure 2). Everything you do must eventually tie back to the mission. To measure progress against those mission goals, capture them as quantifiable value levers. Some examples could include Reduction in risk, Higher Profit, Inventory Reduction, Cost reduction, etc. These value levers are now tangible items stakeholders can relate to and represent achievements towards mission goals.

This exercise would be incomplete without an understanding of the challenges you face. I have found property managers to be quite adept at characterizing challenges. They can include anything from stakeholder apathy to cultural constraints. Understanding these help design the right mitigation steps.
TWO

The “As Is” set of processes

Most organizations and property managers we have dealt with have the experience and history of handling inventories, audits and other property management functions. Just this second step alone of analyzing and documenting the existing set of property management processes can be invaluable to find out where you stand and for people to realize what role they play in a much larger process involving the entire organization (Figure 3). Each major process (such as method of procurement) and every sub-process are mapped out. Quantitative and qualitative Key Performance Indicators (KPIs) are defined to measure these processes and mapped to the Value Levers originally defined. Once the end to end property management processes have been mapped out, issues start becoming evident.

THREE

The “To Be” set of processes

Based on the understanding from the “As Is” process, a set of “To Be” processes are defined (Step 3, Figure 2) which are a close to perfect set of the fastest, most efficient processes to achieve the mission goals. The KPI measures for this set of processes are an upgrade from the “As Is” set.

FOUR

Gap Analysis and prioritized list of improvements

A Gap Analysis of the KPI measures helps identify the gaps to be bridged and the leaps to be made to reach the “To Be” state. These recommended improvements again tied to the value levers are prioritized based on level of effort and the impact. The list of prioritized recommendations for improvement with quantified KPI improvements tied to the organization’s value levers is what you need to convince senior management and get their approval and support.

FIVE

Action plan and execution

The next logical step is to come up with an action plan and start executing the plan. As part of a client engagement, we went through a similar five step process interviewing and involving scores of people across the organization. With the resulting recommendations we estimated 21% in annual cost savings based on improved efficiency, faster cycle times, better data/technology integration, well-defined roles and training.

Technology is a key enabler

I have heard many property managers tell me that they have issues with their property management system. It’s either those IT guys who don’t know what they are doing or the software itself is no good. Going back to my cooking analogy, if processes are your recipe then technology are your pots, pans, spatulas and thermometer. Needless to say, you need both to cook. You can’t use the best technology without effective processes and vice versa. Many times, data quality
issues in your system are a reflection of poor processes or lack of processes. It is also the result of having technologies and systems that do not support your processes or mission. 

Data quality is a symptom with an underlying and deeper root cause. Essentially, in today’s world IT and technology are key enablers for business and personal life. If you are doing inventories with paper and pencil you definitely need some technology help. However, what is often lost sight of is that the technology must fit your processes and not the other way around. A technology element like property management software must be amenable and flexible to allow it to be utilized to run your processes. Unfortunately, processes end up being designed around a costly piece of software or other technology and it is akin to ramming a square peg into a round hole.

Here are some suggestions on best utilizing technology with efficient processes.

ONE

Your property management system must live in an interconnected organization and ideally

a. Integrates with your procurement system. Remember, auditors mostly start first in procurement before tracing that asset in property.

b. Run on the business processes you have designed for your organization.

c. Integrates (at least loosely) with finance.

d. Has connections and interfaces to integrate with other operational systems or software.

e. Is able to integrate well with sensing equipment you need.

TWO

Don’t fall for the most convincing salesperson, a lesson I have learned and relearned many times in my career. When selecting the right software, first build a check list of every possible feature you need and which will facilitate your effective processes. Score each feature by priority and rank each vendor. Needless to say, call their references.

THREE

Don’t buy the hype. All technologies go through a “hype spike” when they are the talk of the town (like the latest iPhone your colleague has). The fact of the matter is that many times you don’t need it. As an example, RFID sensing is quite hot and I get asked about it quite a bit by property managers. The fact of the matter is that it works excellently for some use case scenarios and not at all for others. While RFID costs have come down a lot, sometimes a regular bar code asset tag might perform admirably for a fraction of the price. Any technology must be a right fit for your organization and borne out by a cost benefit analysis.

FOUR

Look for force multipliers. Some technologies can deliver an oversize bang for the buck and those are the ones to choose. For example, the world is going through a paradigm shift right now due to innovative changes in telecommunications, mobile technologies and smart devices. There may be significant opportunities for low cost, high return solutions. Examples include:

a. My company, Brillient, saw an opportunity for replacing costly scanners, software and laptops with a single mobile app on a smart phone as a disruptive way of saving large amounts of money while retaining capability, adding new capabilities while keeping it simple, easy to learn and fun to use.

b. On a client engagement we were able to identify significant value adds with advanced sensing technologies to automatically track computers and servers which make up a large percentage of any organization’s assets.

c. Simple tools to display assets on a Google map giving a property manager a literal birds’ eye view of their assets.

FIVE

The hidden costs of technology are usually not apparent in the evaluation and purchase process. Once the technology is in-house, it has to be maintained, administered, safeguarded and your people need to be trained to use it. Ensure that what you choose is intuitive, friendly and fast.

In many organizations with cumbersome bureaucracies, the property manager might not have a huge say in selecting technologies. Keep in mind that you are the business user of the technology. Make sure you get a seat at the table when decisions are made on technology that impacts your world.

The human element of property management

Once you have designed the most effective processes, selected and implemented the right technology enablers to make those processes efficient, do not forget the humans in the loop. The best processes and tools can be torpedoed by the human user that is not trained or the right
fit for the job. In our engagements with clients we have found that often the organization structure is not optimally aligned with the needs of property management for the organization. Frequently, roles in the property management process are ill defined (or not at all). The first and key step is to examine who does what by looking at:

**ONE**

**Role** – starting from the property manager, who plays what role in each of the defined processes

**TWO**

**Responsibility** – what is each role responsible for

**THREE**

**Accountability** – roles and responsibilities become weak without defining accountability. In some bureaucracies they might call this the blame trail. I believe and have seen that when people are held accountable for outcomes they devote more attention to what they do.

Once these essential elements are defined, it is worth examining what are the key characteristics and traits of people to fill each role. For example, a property representative responsible for overseeing property in a department of a large organization needs good communications, people skills, eye for detail, must be able to learn and utilize technology tools, invested in learning property management processes and the value proposition. Use those traits as a filter to select the right people to fill that role.

Training and its importance is often under-estimated. Class room training for a group is often not that effective unless it is short, engaging and a good morale booster. In client engagements we have often developed one page training tools on how to do specific functions. These usually come with a flow diagram and a few bulleted words. Think of these as the one page Cliffs notes version of how to do one specific function. A property representative or a receiving clerk would have a few training sheets on how to do a set of specific functions that they repeat frequently. Training videos and a buddy system can also ensure that a new recruit gets up to speed quickly. While this is not possible in all organizations, I would also recommend an incentive system where performance bonuses are handed out for accomplishing specific objectives such as a 99.9% successful inventory, least number of issues, etc. If your organization does not allow for such bonuses, consider a recognition plaque that can be handed out in front of an audience as recognition of their hard work.

**Summary**

*Effective* property management defines the value proposition, integrates well defined processes with technology enablers and a well-trained and empowered work force to create value for any organization.

1. Define the value of effective property management as a key enabler for cost reduction, profit and other business value, not just a cost center.
2. Sell it to senior management and co-opt them as stakeholders.
3. Invest in understanding and documenting your processes. Use the understanding to build effective processes. Sometimes fresh eyes can be more discerning, get professional help.
4. Select and utilize the appropriate technology as a key enabler. Let technology be your ally and not a set of shackles.
5. Integrate the human element with precisely tailored training and tools

I hope the ideas in this article help set up a lean and efficient property management program so you don’t have to worry about your next audit or any other audit.

**REFERENCES**

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**BIOGRAPHY**

Sukumar Iyer is the President and CEO of Brillient Corporation (http://brillient.net), a technology and business consulting firm based in Reston, Virginia. He has more than 20 years of experience providing business and technology solutions to clients in Government, multiple industry sectors and non-profits. Sukumar’s passion lies in understanding a client’s problems or challenges and then crafting and delivering a winning solution. Sukumar and Brillient have been very active in providing innovative solutions and services for property management transformation and operational services to multiple clients. Sukumar has in brief episodes lived the life of property professionals, performing “wall to wall” inventories some times on hands and knees, capturing business processes, reengineering processes to be efficient, data analysis, data quality cleanup and presenting property management topics to senior executives. He can be reached at sukumar.iyer@brillient.net or 571 449 7858.