

REAL ESTATE PROFESSIONALS
TAKE YOUR STRATEGIC ALLIANCES TO THE NEXT LEVEL
by Robert Porter Lynch

Complexity Pressure

Every real estate professional knows the problem – too many real estate agents, not enough listings, a soft market and increasing complexity -- the state legislators have thrown more requirements, and more forms into the problem. We are all wondering “How do we do to distinguish ourselves from every other service provider? We’ve created alliances with mortgage brokers, with title companies. What do we do next?”

Few people disagree that the real estate world is moving faster ever year (everyone wants everything now with the advent of cell phones and the internet), complexity is escalating at an unprecedented level (just look at all the new technologies and bureaucratic regulations), and the rate of uncertainty has created unprecedented stress (who knows if the bubble will burst, where interest rates and oil prices will go?)

For the beleaguered or stressed-out executive, the pressures will continue to escalate, not stabilize. With such forces impacting the real estate world, it’s no wonder so many of us feel like road-kill on the information highway.

How should we cope with such pressures? What’s the right strategy?

Solving the problem of escalating speed and complexity by working harder will only result in total melt-down and burn-out. The most powerful strategic imperative in a fast moving, rapidly changing world is to grasp firmly the principle that innovation provides the most sustainable competitive advantage.

Any company that’s not committed to continuous innovation is as doomed as a dinosaur. Smart companies are rethinking their whole organizational framework, seeking innovative solutions using alliances. In today’s hyper-competitive world, your alliances are a source to distinguish your business from the rest of the crowd. How do we make our business stand out? What is the magic formula?

The Potential for Synergy

By definition, synergy means the whole is greater than the sum of the parts. By taking your alliances another step, you can tap its potential. That next step is to link your alliances into innovation alliances and networks.

If you have alliances in place, you are sitting on the foundation of a great opportunity to take your organization to a whole new level of thinking and effectiveness. Hidden within the different strengths possessed by you and your alliance partners lies an untapped treasure: a dormant but potentially dynamic energy for creating new innovations. This is

the elusive synergy that most people suspect is under the surface of all professional relationships, but this wellspring is usually untapped.

To gain the advantage, your business, and its associated alliances need to be constantly improving, constantly seeking new ways to serve customers, new methods of delivering services, new opportunities to make the business of real estate more fulfilling. This means a *joint* commitment to innovation. Peter Drucker, the most insightful business oracle of the twentieth century said, “because its purpose is to create a customer, the business enterprise has two – and only two – basic functions: *marketing* and *innovation*.”

Innovation Means More Than Technology

Most people, when they hear the word innovation, automatically link innovation to the word “invention,” then discount their own potential because they don’t have an engineering degree. Unless your company has a strong alliance with a technology developer, this category of innovation is probably not practical to tackle.

But, for everyone who has deprecated themselves by thinking they are technologically impaired, there’s good news and hope for the future. Only about 20% of all innovation is actually linked to technology. In the real estate oriented office, most innovation is non-technical, does not take an engineering degree, and doesn’t even require a college education. This non-technical innovation falls into five basic categories:

- **SYSTEM SOLUTIONS**
Example: OnStar developed a fully-integrated set of solutions for the car owner to unlock doors, remotely diagnose auto problems, send tow trucks, and dispatch emergency vehicles in the event of an air-bag deployment.
- **PROCESS INNOVATION**
Example: Toyota progressively removed labor, parts, steps, inventory, and complexity from their assembly lines, dramatically lowering the cost of car production, improving team morale, and increasing speed of production.
- **PRODUCT/SERVICE IMPROVEMENTS**
Example: Southwest Airlines made innovations to airline service by making it easier to do business with, putting the employee in charge of customer satisfaction, and using only one type of airplane, thus lowering ticket prices and increasing reliability
- **MARKET EXTENSIONS**
Example: IBM leveraged its massive customer base to shift their customers from buying equipment, computers, and hardware, to buying services, solutions, and software.
- **NEW BUSINESS MODELS**
Example: Dell changed the entire way computers were sold by using the internet to go direct to the customer, by-passing the middle-man and thus

making their products more customizable and achieving a one-third cost advantage.

Every alliance should carefully re-think its strategy to determine what new innovations it should be addressing. Use this list of think about how to link more of the “pieces” of the real estate process together better, cheaper, faster, and more seamlessly. Consider what innovations can make the post-sale environment more simple, pleasurable, and endearing for those customers who were initially drawn to the pre-sale value proposition.

Where to Start

To transform your alliance into an *innovation alliance* or *network*, start with a strategic commitment to make innovation a top priority. This must be a senior executive responsibility; otherwise, any initiative will flounder, falter, and fail. Then focus on one or two innovation targets that will demonstrate some visible results, thus helping gain traction.

What targets should you address? First ask the question of the alliance team: (derived from Proctor & Gamble’s approach) “How well do we pass the test of the *Three Moments of Truth?*”

1. When the Customer Selects our Product/Service...
2. When the Customer Uses our Product/Service...
3. When the Customer Decides to Sell their Home...

On any point where the customer is ambivalent, dissatisfied, or nonchalant, innovation is in order.

Another set of “trigger points” for innovation results from carefully and critically examining your integrated product/service delivery package and asking a series of probing questions:

- *Where is the process too slow, cumbersome, or confusing?*
- *Are there simply too many steps in any process?*
- *Is there too much non-value-added work?*
- *Where are there too many hidden costs or excess redundancy?*
- *Is the reliability at any point too low or inadequate?*
- *What things irritate customers, staff, or alliance partners?*
- *Are there any areas where our accuracy is too low, unpredictable, or disconnected?*

Once your alliance teams have identified their innovation targets, it’s quite valuable to address the question: “so what?” Will the innovation impact the customer? Revenues? Profits? Efficiency? If the impact is vague or not worth the effort, then choose another innovation target.

Once a worthy target has been identified, make a team responsible for making it happen with relentless passion. Then, after it is achieved, reward them well to set the example for future teams.

If our alliance currently lacks a real win-win, or fear, distrust, or uncertainty is preventing you from creating the desired/potential synergy, then an innovation program may be a good leverage point for repositioning the alliance.

Innovation is the Life-Blood of Alliance Success

In the long haul, innovation is the dynamic life-blood of alliance revitalization. If your alliance is not performing up to par, a focus on innovation may be just what the doctor ordered to bring it back to life. But you may need an objective evaluation of the stress points in the relationship to help reconfigure its new strategy and structure.

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For more ideas on innovation in alliances see: www.EnginesofInnovation.com.
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