

## Lean Digitization How to Digitize a Residential Real Estate Company like a Startup



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Startups are fast, no doubt about it. There are many reasons for that. Naturally it is easier to reach agreements and make strategic decisions in a small team with an MD present at every meeting. But it's not only that: the everyday internal, operational business of a well managed startup is uncompromisingly designed for efficiency from start to finish, all the more so when it comes to product development. This explains how good startups are able to overtake companies that have been successfully operating in the market for decades.

One of the reasons for their success is that startups employ a specific method to move their product development activities forward. In 2008, Eric Ries published a book called "The Lean Startup". In it he depicted the product development process as a constant feedback loop with the customer. The principle is to go to market quickly, even if the product is not perfect. In the startup world, some would even say that if you're not embarrassed by your first product, you must have spent too long on it. The market will test the product and give the startup feedback on what is good, what is less good and what doesn't work at all. This feedback then serves as the basis for the next step in the product development process.

When real estate companies think about digitization, they often – and quite rightly – think mainly about things like changing their ERP system from one provider to another. Huge volumes of data need to be moved. A project like that takes a long time and costs a lot of money. After all, there is considerable effort involved in training staff in how the new system works. A properly set up, cutting-edge ERP system is undoubtedly worth all the

effort, but it certainly takes a lot out of an organization.

That said, digitization on a much smaller scale, with a much smaller budget and a much shorter timeframe can achieve a great deal too. We at RITTERWALD have therefore developed a method which enables even large corporate groups to move forward with digitization in short sprints based on the lean startup principles. Our aim is to give our clients the opportunity to drive their own digitization the way a startup would.

### Lean digitization

In a traditional digitization project, the first step would be to analyze the status quo. That means measuring how digital the company already is and what digitization projects are already in place. Then other opportunities for digitization would be identified and their potential measured. The identified approaches would then be implemented. This approach is well suited to companies wishing to take deliberate steps to change their organization from the ground up.

In lean digitization we turn this logic on its head in order to achieve results fast: we go straight to the pain points and

take action immediately. First we select a process in collaboration with our client. It should be a process that is fairly significant for the company, tying up a lot of resources. And it should be one that is not yet fully digitized – which will usually be the case anyway. We then meet with the process owners to identify where the key problems and bottlenecks are. From this point on, the work will focus on the most serious issues.

With our understanding of the market for software providers and startups we are in a position to pinpoint digital solutions for the problems identified. We'll then confer with our client to decide which solution to choose and subsequently implement it over the next few days. The aim is not to change the organization wholesale, but to take small steps which will have an immediate effect. Let's look at the rental process by way of example.

### Lean digitization in the rental process

**PROBLEM** Let's assume that a discussion with the Head of Rentals reveals a significant problem, which is that attending property viewings represents the most

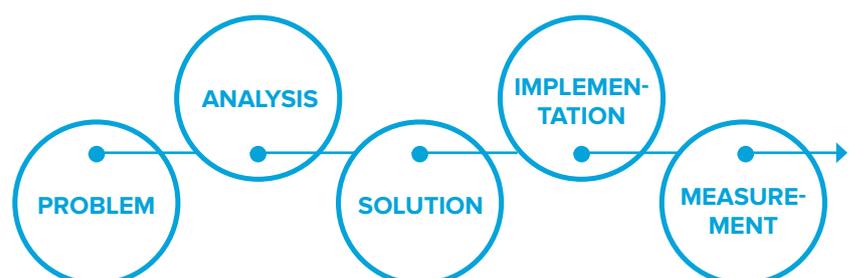


Fig. 1: The lean digitization process

time-consuming part of the process. The team is averaging three viewings per residential unit, significantly above the regional average.

**ANALYSIS** Viewings can be outsourced, which will normally save money. However, digitization offers a much bigger lever. You need to look at why several viewing appointments are often necessary. The main reason will be that the viewer is not actually the right applicant for the property. Assuming there's nothing wrong with the apartment itself (too expensive, horrible carpets, bathroom in a poor state of repair or similar), what you need to do is improve the selection of applicants in order to reduce the number of viewings. This does not mean examining every last detail of every applicant in advance. That would just shift the effort from one point in the process to another. What we need to do is automate the selection process and raise the level of quality.

**SOLUTION** There are many different providers offering solutions in this segment. Most of them generate a list of the inquiries that come in through the usual property advertising portals. Since the applicants normally supply information about themselves, such as their salary and employment status, this data could be analyzed and utilized via filters. In a few clicks it would then be possible to filter out the most suitable of all the applicants.

**IMPLEMENTATION** Having presented the identified solution to our client we would then get together and select a suitable provider. The chosen provider would come in and present their solution and offer a trial of the product. We can help with any requested software adjustments (such as standardizing user access rights and the like).

**MEASUREMENT** We can now literally take a stopwatch and identify whether or not the new method is better. If it is, implementation can begin. In our example here, the number of viewings would be analyzed. If the number of viewings necessary to fill an apartment falls from 3 to 1.5, the resulting savings can be compared against the cost of the digital solution. This would make the added value immediately apparent and significantly speed up a tricky step in the process, and the costs of implementation would be relatively low.

The advantage of employing the lean digitization method is the speed with which successes are achieved. Good news quickly gets around a company as soon as processes are improved, as described above. You can then expect employees to come forward with their own suggestions for modifications. This can trigger a real avalanche of improvements, which then just needs to be guided in the right direction by management.

#### From digitization to cultural transformation

When people start telling each other the digitization success stories, the kind of barriers that usually need to be overcome with change management will be broken down by the employees themselves. What the company will experience in this phase is a mini cultural transformation. The innovation will be carried through the company from the bottom up, rather than being decreed top down. Even if that is already the norm in your company, digitization is the perfect way to live this culture of innovation.

Approaching digitization in small steps, or sprints, as a way to solve specific problems, inspired by the lean ma-

agement principles, is in great way of picking up the pace. When employees are involved in the process in the right way and given the opportunity to present their own ideas, you will find that it is the employees themselves who make the journey go ever faster.

Do you have any questions regarding this topic?



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