

Is Business Process Outsourcing for Realty Firms - Seven Tips for Selecting the Best Outsourcing Partner

Executive Summary

In the Realty Services industry, razor-thin margins are constantly compelling firms to improve their bottom line.

To stay ahead, Realty services firms are constantly seeking new and more efficient ways to cut costs, improve response time and speed time to market. As a result, they are turning to a wide array of potential remedies, which include outsourcing entire business processes to third party providers.

Hundreds of offshore providers – from long-established global consulting firms to small boutique service organizations – have set up shop to exploit the burgeoning demand for this business. But choosing the right partner is not an easy task. In fact, organizations need to address a host of business issues that go far beyond just cost. Among them are such factors as service quality, data security and metrics for measuring whether the partnership is achieving its goals. Intellisys has been helping Realty Firms for over 15 years. With an established track record and robust processes, Intellisys has delivered solutions to Realty firms (Single and Multi Family Residential sector) effectively.

While the scope of business process outsourcing is vast and rapidly expanding, this white paper focuses on Finance and accounting areas that ultimately helps Realty services firms shape future relationships with investors. Companies that capture this information more efficiently often reduce costs and improve response times dramatically.

To that end, this paper describes the challenges of business process outsourcing for realty services firms, identifies key processes that are good candidates for outsourcing, and helps organizations decide on a coherent strategy for setting up an outsourcing relationship with a trusted partner.

This white paper also serves as a primer into the world of outsourcing by providing:

- Checklists and guidelines for embracing this new business model called “The Business Optimization Model (BOM)”
- A real-world example of how one firm is outsourcing finance and accounting processes to achieve its goals
- Details of the achievable benefits of a well-planned and well-executed business process outsourcing strategy

Background: Realty Services Industry

The realty industry is seldom the first in line to welcome new technology. The realty industry as a whole has not necessarily been an early adapter of technology. When compared to other

industries, the realty industry has been on the backside of the wave as far as adapting to new solutions. There are a number of multi-housing companies still operating their portfolios with old legacy systems and archaic processes/solutions. With time, these firms realize the true need for updated hardware, software and processes that will make them profitable.

Increasing rents and decreasing delinquencies are very important. However, today, workflow efficiencies, technology and how to better use those technologies are equally important. A firm can add to the bottom line or take away from the bottom line just as quickly with [technological] decisions as one can with other business decisions...

Customer data fuels (Leases, rents, RRC, ARs, APs etc.) the realty services industry. Standardized documents or forms, and a surprising number of transactions continue to be handled over the telephone or by fax.

This paper-driven process represents a continuing paradox for realty services companies. Equipped with archaic technical infrastructures, they still rely on processes and documents that for the most part depend on paper forms. Applying for a lease, for example, is still an intensively paper-driven business process.

In some respects, it's easy to understand why realty services firms have been slow to adopt automation of processes. The tried-and-true methods are simple and accessible; they have worked for decades. And they offer a relatively high degree of data security and fraud prevention; issues that are increasingly important to realty services companies.

Security is clearly an inherent issue in any BPO project for realty companies. But realty companies also consider other bottom line factors when making BPO/Technology decisions: Is the technology under consideration mature and stable? Will it interrupt business as usual? How long before operating efficiency gains are realized? Does it comply with existing industry regulations?

Despite this deliberative approach to changing fundamental business operations, an increasing number of realty services firms are choosing to outsource transaction processing.

Realty services firms are beginning to look at new ways to capture and process data more efficiently so they can reduce costs and achieve faster turnarounds. At the same time, they want to improve the quality of their services to outpace competitors and increase revenues. Finally, they want to take advantage of time and cost savings to free their own internal resources to focus on improving core business functions.

Given these factors, off shoring business processes like transaction processing is becoming an increasingly attractive proposition to realty services firms.

But as many firms are learning, there is more involved in choosing the right outsourcing partner than simply finding the lowest-cost provider. In fact, enterprises embarking on an outsourcing

strategy face two major challenges:

- Deciding what to outsource and how aggressive a strategy to pursue: selected functions or entire business processes (including IT infrastructure)?
- Choosing an outsourcing partner that understands their business goals

As companies look at offshore outsourcing options, they need to start with a solid analysis of their business processes. Should they bundle the entire applications and give it to one provider? Or do they adopt a mixed strategy? For example, they might use some offshore providers to ramp up operations or shift resources to other areas depending on demand.

Companies also need to differentiate between core and non-core processes and evaluate which ones are candidates for outsourcing. Day-to-day, repetitive (often labor-intensive) tasks are potential areas for dramatic improvements in operating efficiency. They should look closely at tasks that may currently involve human intervention but don't require complicated evaluation or decisions.

Some of the earliest processes to be outsourced were small, relatively inefficient processes such as transcribing information from hand-written claims forms into an electronic system or capturing data obtained by telephone. Service companies are now realizing benefits from outsourcing even more processes, including lease applications and processing, loan processing, insurance claims processing, litigation coding, and account enrollments.

What then, are some of the characteristics that will help firms realize these benefits while avoiding costly missteps? Across the board, strong outsourcing partners typically share these qualities:

- **High quality service delivery**
 - The partner demonstrates a shared commitment to delivering quality output
- **Deep industry and process knowledge**
 - The partner has a competent, highly-skilled workforce that offers a swift transition to the new business model
- **Strong market reputation**
 - The partner is known for its experience in the target processes, adherence to trusted methodologies and standards, and use of the latest digital technologies with a secure infrastructure
- **Strong financial footing**
 - The partner has a stable financial future and strong cash flow.
- **Secured facilities and bullet-proof procedures for ensuring data security**
 - The partner embraces multi-level security standards and policies
- **Ability to Scale**
 - The partner has a robust IT infrastructure and a flexible work force that enables it to expand operations quickly in response to changing demands

The benefits for firms that settle on the right outsourcing strategy – and the right partner – can be dramatic. They routinely improve efficiency and the output of routine activities such as data entry or forms processing, realizing significant savings in the process. By converting data from paper to electronic documents, they can also begin to transform their entire business process for collecting data about customers – and for adding value to the relationship with that customer.

Transaction Processes Appropriate for Offshore Outsourcing

As realty services firms examine their business models to improve operational efficiencies and lower costs, they are continually looking for business processes that can be safely outsourced to a third party. High-volume, rules-based activities like data capture and digitization of transactions forms processing, finance and accounting processes and routine credit scoring are often good candidates for outsourcing.

Data Capture and Digitization

The first step in realizing the value in the vast amounts of data flowing into an enterprise is to capture it in an electronic form that can be managed, organized, and entered into various databases. Realty services enterprises have data arriving from many sources. It may come as handwritten documents, be captured as part of a telephone conversation, or be submitted as hardcopy or non-editable images. Trying to create a common framework for capturing data that arrives via these many avenues is not easy. But no matter how the data enters the system, it must be captured accurately to avoid errors or rework. At the same time, it must be recorded quickly enough to make the process cost effective.

Whenever possible, realty services firms digitize the captured data for even more efficient storage, management, and retrieval. The digitization process, whether it involves text or images, should yield standard output formats that can readily be integrated into the document supply chain, for later retrieval for future campaigns or credit evaluations.

Forms and Transaction Processing

Forms processing is the vital input mechanism for all types of enterprise data. This routine task is another key entry point to the corporate database, so it must be done correctly, reliably and efficiently. In the insurance industry, the forms can support enrollment, claims or credentialing. In banking and finance, the forms are most likely to be used with loan and credit applications, leasing documents, or signature cards. And in a realty firm, the forms might apply to Lease Administration, Section 8 Administration, Coupon Accounting, RRC and reporting.

Accounting and Finance Operation

After the data has been captured and entered into the system, through a decent Document Management System, the Finance department, located in a low cost center process data. This is done by a highly qualified group of professionals with very clear and precise guidelines that essentially leave little room for interpretation. Generally this is done by a very well qualified CPA/CA or a professional who has a Masters Degree in Finance and Accounting. These professionals are not only well versed with Accounting principles but are also well qualified on the Software used (such as Yardi, Propertyware, RealPage, MRI, TOPS, Jenark, GreatPlains and others) and are also well versed with SOX and GAAP processes. As a follow-up, the

outsourcing provider can also provide a routine (weekly) quality control check to ensure that the process and outputs are meeting the guidelines set in the criteria.

Business Process Focus Areas

In the competitive and sensitive world of financial processes, certain touchstones can mark the difference between a successful outsourcing strategy and a failed one. Three of the most important are the *skills* of the employees designing the new business processes and tasks, an established *quality methodology* to set goals and measure performance against them, and ultra-reliable *security policies*.

Process Specialists

When an enterprise decides to outsource business processes, they want to be sure that the outsourcing partner will provide services that are of the highest quality at a cost effective rate. Therefore, the outsourcing partner must have experience in working with a client to define business requirements, understand current processes and interfaces, and understand goals and metrics.

At this point, the Realty services firm must decide whether to redesign the overall business process or simply look for a way to do the existing job more cost-effectively. In making this decision, they need to determine how best to improve their flexibility and operational agility so they can respond quickly and adapt to varying workloads.

To that end, the outsourcing partner can either design a new process that meets the client's business and performance goals, or simply integrate their team into the existing process to improve overall business operations. They must also provide employees to execute those processes accurately, quickly and skillfully. The process knowledge and skills of the partner are indispensable in creating a successful outsourced business component.

Quality Assurance Methodology

Measuring success is often a multi-step undertaking. First, a process must incorporate appropriate quality procedures and checkpoints. A strong outsourcing partner will embed quality methodologies into their DNA. In other words, not only will they define the appropriate quality policies, they will also go out of their way to make sure they are implemented.

For example, they will establish metrics based on the client's stated business goals – such as data accuracy guaranteed at 99% or greater or a 24-hour turnaround time. At regular intervals, they will check progress on those metrics and report appropriately. Criteria to consider include adherence to industry standards, quality certifications (such as ISO), use of latest tools and technologies appropriate to the process at hand, and appropriate reviews or audits.

Data Security Standards and Processes

Any outsourcing project must adopt and follow stringent security procedures at every step. An outsourcing provider that offers accounting and financing services must be experienced with advanced security technologies and multiple security factors. A comprehensive security strategy includes physical security of facilities, strict password and

access control measures, sophisticated data encryption techniques, and routine measures to scrub sensitive data. Offshore providers should also be expected to provide these stringent security measures. In addition to these, the team members working on projects should **not** be able to copy, download, email or store data. Ultimately, anyone working with the financial information of individuals or corporations must adhere to multi-step security standards and processes.

Seven Tips for Choosing the Right Outsourcing Partner

Choosing the right partner is a critical step in building a successful outsourcing relationship. First of all, not every outsourcing partner is capable of providing a wide range of services. The company needs to have an established infrastructure, a competent and highly skilled workforce, and strong leadership by a management team that understands the goals of the client.

To that end, enterprises need to look for seven things as they manage value in a business process outsourcing relationship:

1) *A partner who shares their commitment to deliver quality*

In this focused market, quality and accuracy of data is of fundamental importance. If the outsourcing partner can't demonstrate quality processes, methodologies, and metrics, an enterprise risks failure in this venture. The partner must be able to create or add value at every step of the transaction process.

2) *A partner who has the expertise and communication skills to help the enterprise transition to the new model*

Employees of the enterprise must be aware of the benefits of the outsourcing project to their company and to themselves. In addition, the partner must have the geographical presence to provide an understanding of local issues, requirements and standards.

3) *A company with a track record of building the tools and business processes to deliver a quality product and validate the success of their efforts*

Has the company handled similar business processes for clients? Do they know what it takes to adapt and improve upon existing business procedures?

4) *A company with sound data security policies*

Data security is paramount, especially in the wake of the recent problems plaguing third-party service providers in the United States. The partner should have a foolproof system for securing data as well as a system of checks and balances to ensure that any potential exposures are quickly remedied.

5) *A company that can scale rapidly and effectively to meet new client demands*

In the 21st century, success will favor companies agile enough to respond to changing business demands. A savvy outsourcing partner works with the enterprise to anticipate change, scaling and adapting appropriately.

6) *A company on sound financial footing*

A potential outsourcing partner should be on sound financial footing and have the

wherewithal to cope with the long lead times required to prepare a cogent outsourcing strategy as well as handle cyclical up- or down-turns in volumes and time pressures.

1) A company with a solid management team and change management expertise

This factor cannot be overlooked. Any potential outsourcing partner should have a management team with sufficient training and change management skills to ensure that the hand-over of this key activity goes as smoothly as possible. A key step is to ensure that the firm's staff shares critical knowledge and insights with the outsourcing partner's team.

Business Processes Services Checklist

Use this checklist as a guide to help you evaluate potential business process outsourcing partners:

Talent and Resources

Co.	Co.
A ()	B ()

Is the company relationship driven? How do they drive business value? Does the company have a track record of innovation? What specific business processes does the company employ to facilitate customer collaboration and operational transparency?

Does the company have enough qualified resources on staff to provide the desired services for you now? Will the company be able to scale up to meet your full requirements as needed over time?

Does the company have a presence in several countries with highly educated, English speaking workforces (such as India, Sri Lanka etc.)? Can the company provide emergency fallback plans in the event of a political or ecological event at a primary service facility?

Does the company exclusively use employees for outsourcing services, or do they rely on resources from subcontractors or freelance agencies?

Does the company have a strong formal recruitment and training program to acquire and sustain appropriate staffing levels with relevant subject matter expertise?

Business Process Expertise

Ability to provide a wide range of business process services:

- *Data capture*
- *Digitization*
- *Processing*
- *Domain knowledge*

How many years has the company been providing these services?

How many projects has the company successfully undertaken that meet the profile of the project you are considering?

Transition Methodology

Does the company have a thorough, documented and proven methodology for knowledge transfer to offshore resources?

Does the company allocate appropriate time/resources for on-site workflow analysis?

Does the company send offshore resources to your site(s) for observation and training in your operation?

Will the company provide appropriate levels of program/project management to oversee the phased transition process according to an approved ramp-up schedule?

What are the company’s policies for managing changes to specifications, technology requirements, or performance metrics? Will the company institute a rigorous training process before actual transfer occurs? Will the company institute a parallel production process for a specified period? How are the results compared (e.g., blind testing of work performed by each group)?

What specific techniques does the company have to accelerate project ramp-up?

Quality Assurance

Co.
A ()

Co.
B ()

Does the company have clearly defined metrics for measuring quality?

Does the company have clear, precise, quantifiable, documented, proven performance criteria for measuring quality at each step of the process?

Does the company have ISO 9001:2000 certification?

Does the company utilize technology for data input and validation? Are these “off the shelf” tools, or are they customized to match your specifications?

Does the company utilize a peer review process with in-house staff?

Specifically, what designs does the company employ to ensure consistency of output as the project scales?

Infrastructure

Does the company have a robust technology infrastructure in place that ensures there is no single point of failure, multiple levels of redundancy and automated data back-up?

Does the company have strong technical capability and IT process strength?

Data Security

Does the company have a documented set of security procedures to guarantee the security of confidential data?

Does the company have sufficient business and accounting policies in place to protect key corporate assets and meet federal privacy regulations?

Does the company carefully screen new hires?


Does the company maintain a secure facility to protect against the unauthorized collection of confidential data?


Financials

How comfortable are you with the company's financial health and its level of transparency and accountability in its management structure?

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