

CBRB – Efficiency and Effectiveness

Assessment Code: JKT2

Student Name: Jonathan Horsman

Student ID: 00301248

Date: 2/28/15

Mentor Name: Maureen Hinkley

Table of Contents

BACKGROUND INFORMATION	
PROBLEM OR BUSINESS NEED	5
FUNCTIONAL AREAS	6
SOLUTION	8
IMPLEMENTATION	11
TIMELINE	13
FINANCIAL AND ORGANIZATIONAL IMPACT	1
REFERENCE LIST	18
PART B: TIME LOG SPENT WITH CLIENT – PLEASE SEE ATTACHED DOCUMENT	
PART C: LESSONS LEARNED: PLEASE SEE ATTACHED DOCUMENT – PLEASE SEE ATTACHED DOCUMENT	
DEVELOP SMART LONG-TERM PROFESSIONAL GOALS – PLEASE SEE ATTACHED DOCUMENT	
REFLECTION ON WGU LESSONS LEARNED FROM MBA TRAINING – PLEASE SEE ATTACHED DOCUMENT	

Background Information

The CBRB real estate company was founded in 1906 following the disastrous San Francisco earthquake. The founders of the company saw a need for honest real estate professionals with integrity after seeing other sale associates, attorneys and profiteers taking advantage of vulnerable homeowners. The real estate industry after the fires and earthquakes was left with a tarnished image because of those dishonest sale associates. Public opinion of real estate agents was regarded as the least credible and trustworthy profession. The two founders knew that the public needed a company in which they could trust in order to purchase and sell their homes. By starting CBRB real estate company, the founders could give the customers the satisfaction and service they needed.

As the years past, CBRB expanded offices throughout California and then into other states. The company flourished because each CBRB real estate office was independently owned and operated. This allowed the company to grow quickly because each CBRB office was able to hire, utilize and even support their local economies while still having a strong national brand recognition. National branding gave the public image and impression that this large company would work in the most ethical and professional manner for all of their clients. As of 2013, the company has 3,500 employees, 710 offices, 42,600 Independent Sales Associates.

The competitive environment is composed of many different types of real estate companies. Each competitive real estate company applies their type of business model that would give them the most market share. Some of the real estate companies are small in size but target only high-end buyers and sellers. Other offer discount pricing with lower fees but only give the minimum in support of the transaction. Each real estate company or brokerage have different financial goals in mind. Some will target the highest number of transactions while others will target GCI gross commission income from their transactions. While these are both important to CBRB, CBRB appears to be more focused on the sales volume.

The CBRB Leadership team is composed of hierarchical participative leadership style. The leadership is composed of the President of the company with Regional Presidents that manage many State Presidents. Each State President has participative powers that can help the Regional Presidents to make the most informed decisions. This leadership style allows the State Presidents to act closer to what is needed and in the best interests of their State and location. Each State President is responsible for their area's production and financial success.

CBRB - Efficiency and Effectiveness through Consolidation

All financial information is reported back to the Regional President that can monitor and report the success of that State.

The financial information shows that the CBRB was able to close 320,026 transactions that accounted for a total of \$151.1 billion in Revenue for the whole company in 2013. While this is a very large number in size, it is considerably less since our banner year of \$225 billion in 2006. Even though the company is recovering and noticing improvement in revenue since 2008, the company wants to increase their EBITDA margin by reducing their operating expenses and improving the profitability of the whole operation. EBITDA is essentially net income with interest, taxes, depreciation, and amortization added back to it, and can be used to analyze and compare profitability between companies and industries because it eliminates the effects of financing and accounting decisions.(EBITDA)

Problem or Business Need

There has been no other time in the real estate industry has there been a larger threat to its very existence. The company was able to survive the collapse of the real estate market in 2008. CBRB survival was possible because of the massive layoffs and downsizing of all departments. The company noticed contraction of sales, inflated inventories of homes, the mortgage industries fear plus lack of liquidity and even the appraiser's strident appraisals. This froze the whole industry. Today, we are noticing consumer confidence is rising again and the home market improving but now face a new problem that is inventory. Currently, we have an inventory problem and without inventory the volume of transactions is lower. Lower transactions mean less possible revenue for the company. Even though, our Regional Presidents believe that because the economy is improving that our revenue should keep pace with the VIX and the consumer confidence. Although the VIX is often called the "fear index", a high VIX is not necessarily bearish for stocks.^[7] Instead, the VIX is a measure of market perceived volatility in either direction, including to the upside. In practical terms, when investors anticipate large upside volatility, they are unwilling to sell upside call stock options unless they receive a large premium.(VIX) Their demand for improved numbers is because they want to be able to retain and garner even more shareholders and investors. Since increasing revenues through the sale is not an option because of the real estate climate, this means that expenditures must be reduced, and efficiency in operations and marketing resources must be revamped.

After careful review, the business need is to centralize all websites, business programs and marketing systems into one scalable enterprise system that will support all business processes, information flow, and data analytics. This business need would incorporate the support and cooperation from Marketing, Finance and IT since these are the major contributors to resolving the issues that are mentioned above.

Functional Areas

With a large corporation such as CBRB, there are many functional areas that are crucial to the company's smooth day-to-day operations. Each functional area is essential to streamlining the operations as well as finding ways to save the company money. All of the functional areas can increase efficiencies while keeping the operating costs down by working together on group projects that can utilize their specialized skills to come up with a winning solution. When an issue arises, it can often be traced back to one or more functional areas that could be

CBRB - Efficiency and Effectiveness through Consolidation

causing the issue. In some cases, the issue might not be a actual problem but a better solution to increase the company's level of success.

The three different functional areas that could be contributing to the problem are:

Marketing: Marketing plays a vital role in the success of any company. Most company's view the success of their company based upon their effectiveness with their Marketing and Sales endeavors. The Marketing area is the source of communication of the consumer's wants and needs. Marketing is the gauge for measuring who the customers are, what are their needs, the products they will likely purchase and the longevity of the products. Another benefit of Marketing is its ability to determine price tolerances as well as determining advertising campaigns to specific target market and segments that would yield the highest return for the company.

However, if Marketing fails to successful communicate effectively to their audience, this could result in lost potential sales, lost profits and even lead to a contraction in the business's future operations. Marketing should be viewed as the face of the company. With CBRB, Marketing needs to be able to listen to the customer's needs, see the future direction of the company and speak out loud about the products and services we offer.

Finance: Finance main function is to track and monitor all of the income earned and the expenses by the company so that it shows if the company is generating a profit or a loss. The Finance function becomes more granular in its ability to see in detail of the business's holdings. This is typically in reporting of this information that allows the leadership to make the most informed and educated decisions for the company. Accuracy in this reporting has a huge impact on the company's ultimate success or failure. CBRB knows that every action is determined by the accountants reporting of budget; sales, cash flow, and expenses all the while being compliant with the GAAP practices. Generally Accepted Accounting Principles (GAAP) is a framework of accounting standards, rules and procedures defined by the professional accounting industry, which has been adopted by nearly all publicly traded U.S. companies.(GAAP) Finance functions as the primary indicator for presenting the best financial action that could preserve the cash flow while funding projects that could allow the company to continue to grow and expand. Typically, I view finance as the health of the company. Is it healthy or ill? The Finance function can show what the strength and flexibility in the company's pursuit of growth and expansion.

When Finance does not function properly, this could lead the company to make uninformed decisions that could be costly and even cause the whole company to shut down.

IT (Information Technologies): Informational Technology is the key component to communicate effectively amongst the other departments, as well as the public. The IT department functions to serve the

CBRB - Efficiency and Effectiveness through Consolidation

company's technology needs. These needs include computers, telephones, computer networks/servers and even software/applications. All of these components are required for effective communication in the company. If the communications fail to operate the company will failure to generate business and even execute day-to-day operations. In today's world, the reliance on technology and IT have become the primarily component for the operations of the company. IT has even expanded into protecting and securing the company's most proprietary information. As a result, IT has been charged with being responsible for upgrading software, system upgrades, web administration and even prevention - theft/destruction prevention.

Solution

The overall solution for CBRB is composed of multiple recommendations that can be addressed by each of the three functional areas of the business that are Marketing, Finance and IT. The company can show that a scalable enterprise system/website information system can save the company money and expedite the flow of information that is vital to saving time and money. The following information will demonstrate the how each recommendation is contributing to or affected by the problem.

1) Marketing:

Currently, the company has employed hundreds of employees in Marketing to handle the current marketing needs for their metro. While it is wonderful to have local representation, the company is losing in effective and consistent communication with their agents. There isn't a uniform system in place to help support the agents with their business in real estate. The solution requires more effective communication that can be accomplished by centralizing marketing information. By maintaining all of the data and information in one enterprise system, other marketing departments in other metros will be able to share, collaborate and utilize each other's marketing programs. This will result in saved time, money and duplication of materials. Marketing can share the same site that will allow for other marketing metros to contribute to that site. As a result, the consumer and public will have access to a great amount of information about not just the local metro but about all of the available listings nationwide. Consumers and customers will be able to find the site more easily because all of

CBRB - Efficiency and Effectiveness through Consolidation

the local metros can contribute to improving the SEO of the site instead of many duplicates of existing marketing materials. SEO is typically a set of "white hat" best practices that webmasters and Web content producers follow to help them achieve a better ranking in search engine results.(SEO) Marketing materials will not require customization for each metro before being set out in the various media sources. This new solution will use one name, one site and one system that will be easy for every customer, employee, and public to remember. No longer will people searching for homes try and figure out which site to go to get in touch with CBRB. So the solution is to establish the one enterprise system that is tied to the company website, company resources and marketing for all of the employees, agents and consumer needs. This solution will make marketing better for communications between the company employees, agent, and even consumers.

2) Finance

Finance and Accounting would benefit greatly by the solution of centralizing all information into one enterprise system. The company would benefit from the cost savings of having one system. This would mean that the company would no longer have the large expenses of purchasing and buying new equipment for each metro. Centralizing the whole country into a shared enterprise system will allow for each metro pay each less to be a part of the larger system. This solution will also benefit the finance and accounting departments because there will be continuity their reporting. While the company is GAAP compliant, the way they structure their accounting formats vary greatly from metro to metro. This variance in accounting and finance practices makes every metro apply more manpower towards formatting their reports to work so that leadership can see the progress of each metro. By having a centralized enterprise system, every metro reports into the same system. Not only does this reduce the time compiling the reports, leadership can quickly generate comparison reports on various metros. Real-time information will allow the leadership to concentrate more on taking the appropriate course of action instead of trying to interpret each metros method of accounting reporting. Nationwide, the company will begin to notice that they will not need the additional accounting employees that compile this reporting. Those

CBRB - Efficiency and Effectiveness through Consolidation

additional accounting employees could be applied to other areas within the company that needs attention. The enterprise system will simplify, consolidate and render data nationwide quickly for the whole company that must make quick decisions.

3) IT

Every metro has an IT department composed of 5-10 employees that service all of the IT issues with the company servers and computers. This solution of the enterprise system will reduce the amount of support needed to maintain the many various servers in each metro. The centralizing of the servers with the enterprise system will give the IT staff the opportunity to address other issues that have been very difficult to support in the past. This support would include a better focus on the individual office computers and communications equipment. This solution of the enterprise system will free up the work load of the IT professionals so that they can better support the staff and agents that will keep them completely operational with minimal down time. By adding this additional support from the IT department to the staff and agents, the company will realize increases in productivity and effectiveness from everyone that will translation into increased business activity and higher profitability.

Implementation

Resources required to implement the solution: (people, equipment, capital).

Resources (people, capital, equipment)	Functional Area	Additional Details	Costs
Purchase of an Enterprise Platform system/website (equipment /capital)	Finance	New Site/System Platform will be scalable to support all metros on a national level.	\$25,000 (O) for the platform plus \$2,000 (R) monthly for

CBRB - Efficiency and Effectiveness through Consolidation

			hosting and maintenance
Purchase of System Server (equipment /capital)	IT /Finance	Purchase Hardware Server or Cloud Server services	\$75,000 for hardware server (H) or \$1575 monthly cloud service (R)
Training Personnel (person)	Human Resources	Hire 2 Trainers for the training of the platform to both employees and agents	Hire for \$60k Salary (r) or Contract Trainer for 6 months @ 30K(o)
Designate Web Employee (person) to operate/maintain/update the platform.	Marketing	Employee must be versed in website management and can provide solutions for keeping the system operational	Transfer existing employee into the management position
Designate existing IT employee to support the Enterprise Application System (person)	IT	IT employee can still perform existing responsibilities with this added program	Transfer existing employee into the management position

CBRB - **Efficiency and Effectiveness through Consolidation**

Temp workers to migrate and upload documentation into the new system	Human Resources/Finance	Temp hire two people to enter data into the new system for two weeks	Temp agency - \$1500/each person week - \$6000 total (O)
--	-------------------------	--	--

Timeline

This is the timeline of all key activities required to implement the solution.

Activity	Start Date	End Date	Resource	Planned Duration
Project Introduction	07/20/14	07/28/15	All Department Heads	7 months 8/1/14-2/31/15
Project Review	7/28/14	7/31/14	All Department Heads	3 days
Platform Identification	7/31/14	8/3/14	Marketing, IT	4 days
Platform Proposal	8/4/14	8/7/14	Leadership Finance, IT, Marketing	3 days
Platform Purchase	8/7/14	8/7/14	Marketing, Finance	1 day
Platform Server Site Set-up	8/8/14	8/11/14	IT	3 days

CBRB - **Efficiency and Effectiveness through Consolidation**

Site Upload and content Uploading	8/15/14	10/31/14	Marketing	3 Months
Beta testing by all departments	11/1/14	11/7/14	All <u>Departments</u>	1 week
End-Beta Testing	11/7/14	11/10/14	All Departments	1 day
Platform Overview	11/10/14	11/20/14	All Departments	10 days
Beta Adjustments	11/20/14	12/31/14	IT, Marketing	1 month plus 10 days
Content Upload and Management	11/20/14	2/15/15	Marketing	3 months
Training Materials	1/1/15	2/31/15	Training, Marketing	1 month
Rollout of the Completed System	2/24/15	2/31/15	Marketing and Leadership	1 week
Extended Education and Training	2/31/15	5/31/15	Training, HR and Education Departments	3 months

- 1) Project Introduction (identify vision, objectives, ownership and objectives for the project) All department heads are to outline their vision of the perfect system.

CBRB - Efficiency and Effectiveness through Consolidation

- 2) Project Review - All department heads are to outline their vision of the perfect system. Each department will report their needs and requirements for the new enterprise web-based operation
- 3) Platform Identification – Both the IT and Marketing Teams will identify the appropriate platform for the enterprise program/site to be built upon. This will include all of the requirements and requests from the other departments.
- 4) Platform Proposal – Leadership, Finance, IT and Marketing will review the proposals. Consensus decision on the best will be decided.
- 5) Platform Purchase – Marketing will take point on contacting vendor of the platform and obtain an invoice for Finance. Finance will make payment to the vendor. IT will work the vendor to get the application and package onto the server. IT will also purchase the necessary hardware to support the enterprise system.
- 6) Beta-testing – All departments can be beta-testing their part of the system.
- 7) End-Beta testing – Each department is to make notes about their requests, questions and the success of fulfilling their requirements.
- 8) Platform Overview – All departments present their Beta testing results. Marketing and IT will compile the results and begin to formulate solutions to the Beta Results
- 9) Content Upload and Management – Marketing will continue to upload content information into the new enterprise/website system.
- 10) Training and Marketing Department will put together an education and training programs that will teach the users how to operate the system. (this would include videos, classes and manuals).
- 11) Rollout of the Completed System – Leadership and Marketing will do a Roll-out Program and Webex of the new system to all metros. With all of the information and collateral on how the system works.
- 12) Extended Education and Training – Training and Education Departments will offer classes/ webex video conference calls / videos to support the users. HR will use the training materials for all new hires in the future.

Financial and Organizational Impact

There are two areas that need to be discussed in regards to the impact that will take place approximately two to three years after implementation of the solution. The two areas are the Financial Impact and the Organizational Impact.

Financial Impact

The initial financial impact will appear to show a greater expenditure on Cap X (capital expenditures) in equipment/software upgrades and purchases, human resources (contracted employees) and marketing collateral. These expenses will initially appear to go against the company's vision of reducing expenses. The first year will show a large amount of money being allocated to this new centralized equipment. However over the next two years, the company will be able to begin to remove and rotate the number of antiquated computers and servers from each metro. This reduction of servers and hardware will begin to reduce the cost of maintaining multiple servers, computers, support services, personnel and equipment that are currently being duplicated in every metro. Centralizing the system will eliminate the redundancy while consolidating the company's resources.

After year two, it will begin to show the savings from the purchase of this enterprise system. It is expected to breakeven in year 3 with a trajectory of 25% increase in ROI for year 5. The question is how will this show an ROI of 25%? It will because each Metro will contribute a small percentage of their cost to the centralized enterprise system. This system is shared and paid for by the contribution of each metro. In the past, each metro was responsible for purchasing, maintaining their equipment. Now with this enterprise system, each metro only has to spend a small percentage of their former Cap X to have the same results. The savings will flatten out over time for each metro because of their small constant contribution towards the collectively shared enterprise system. The benefit to having this system in place will allow each metro to rest easy knowing that they will not be hit with large expenditure requests from IT and Marketing in the future. Without those expenditure requests for equipment and resources, each metro will not have to deal with any unexpected surprises for upgrades.

Organizational Impact

The initial organizational impact will appear immediately. The new system will require the support and help of many departments. The impact will ultimately result in a clear exchange of information, continuity in collateral/marketing materials, and even continuity in equipment and resources that would reduce the cost of differentiation in processes. With this enterprise system, all decisions and changes can easily be changed with a

CBRB - Efficiency and Effectiveness through Consolidation

cascading effect that is uniform for all metros. This system will make communication of information more concise and consistent. With a clearer form of communication, all of the employees and agents will be able to make better decisions in regards to sales and marketing of products with the most current and up-to-date information. With the up-to-information materials, agents and the company will notice an increase in sales and production numbers which will result in greater revenue for the company. This improved delivery system will make our agents appear more professional and competent to their customers.

IT will need to get their personnel on board for setting up this new system. This would require cooperation from the IT in that they can effectively procure the necessary software, hardware, and network equipment. Once the systems are in place, the IT department will be able to reduce the cost of manpower. This might lead to reducing staff or reallocating of IT personnel to other projects that support the company. The impact will result in less demand for support from IT.

Marketing will notice a decreased need in personnel as well. Since every metro has their marketing department doing a duplication of the same work. This enterprise system will effectively reduce the need for duplication of the same products by the various marketing department. Centralizing of the marketing materials will eliminate duplication and redundancy of marketing materials. This could allow the company to reduce staff or utilize their manpower towards other projects or to new initiatives that could generate increased sales and revenue.

Finance will notice a massive reduction in operating expenses. While assets might decrease so does the liabilities for the equipment expenses. This will also benefit finance because they would not have to realize the depreciation of their equipment. This transition will cause expenses to drop which will increase profits for the company. While the company will notice only nominal sales increases of approximate 5% for the first few years, the company will improve its financial position as the years progress due to the company's overall lower operational cost requirement.

Reference List

Beal, V. (n.d.). *search engine optimization (optimizer) - SEO*. Retrieved from <http://www.webopedia.com/>:

<http://www.webopedia.com/TERM/S/SEO.html>

CBRB - Efficiency and Effectiveness through Consolidation

Earnings Before Interest, Taxes, Depreciation and Amortization - EBITDA. (n.d.). Retrieved from <http://www.investopedia.com/>: <http://www.investopedia.com/terms/e/ebitda.asp>

Generally Accepted Accounting Principles (GAAP). (n.d.). Retrieved from <http://www.investinganswers.com/>: <http://www.investinganswers.com/financial-dictionary/financial-statement-analysis/generally-accepted-accounting-principles-gaap-992>

VIX. (n.d.). Retrieved from <http://en.wikipedia.org/>: <http://en.wikipedia.org/wiki/VIX>