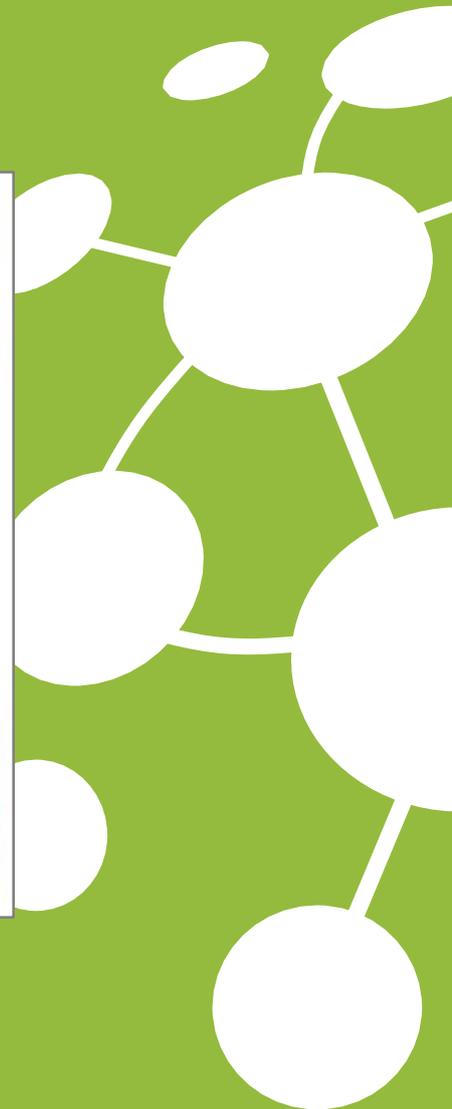


Is your Investment / Property Management System capable of unlocking EMEA's Pandora Box?



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Is your investment / property management system capable of unlocking EMEA's Pandora Box?

Introduction



Countries within the EMEA region offer very compelling value for Real Estate Investors which in turn increases the demand of specialist property management expertise.

Fulfilling the specialist needs of an Investor or Property Manager on a per country basis within EMEA is not as straight forward as it may appear. For the uninitiated, it is a Pandora's Box which can have a negative impact on the effectiveness of how their new country operation functions.

This document sets out many of the common challenges that companies are consistently faced with when trying to implement an Investment / Property Management system within the EMEA region. We will also explore some of the solutions and methods to ensure you minimise your projects risk and maximise your business potential.

In our experience countless companies have underestimated the complexity of implementing in EMEA. They have come to learn the huge benefit of clear precise diligence coupled with a structured project plan and the right expertise is paramount to ensure their continued success.



What are the challenges in EMEA?

The EMEA region comprises of 128 countries: 58 in Europe, 56 in Africa and 14 in the Middle East.

Each country has its own unique fiscal and legal requirements as well as property management requirements. The unique requirements are also true of each of the eighteen countries that have adopted the Euro as their currency.

In addition, each country has its own legal jurisdictions and customs. Some countries do have some similarities but it should never be ignored there are far more complexities that must be understood in order for any system to be implemented.

For example; the simple process of raising and invoicing Rental Income, may on the surface appear to be the same standard process for each country. However, if you dig deeper and it becomes apparent each country has a different approach to this process.

Currency

Currency is quite often the first consideration of suitability of any Investment and Property Management system.

However, currency is not straight forward because it affects multiple parts of the system. i.e. processing and reporting.

One of the wider implications of currency is to understand the property management system's ability to process, record and report in a multi-currency world. It is paramount to understand the full needs and requirements of each country. Any limitations uncovered will have an impact both internally and externally. Crucially, it will have a huge bearing on your legal requirements perspective too.

Multi-currency businesses models will need to give due consideration to their full currency requirements. For example, taking into consideration the country's exchange rates, exchange rate frequencies and differences as well as how processing and reporting is handled.

There are some systems that have limited currency functionality which is often due to the complexity of processes and reporting requirements which are essential for successful multi-currency systems.

The convolution of this area often requires specialist assistance to focus on navigating through the multi-currency minefield.

Customs, Cultural and Legal Differences.

Frequently, country personnel convey a process as being a legal requirement when in fact it is just 'the way things have always been done'. What they are actually describing is not a legal requirement at all but is simply a cultural process.

An experienced Implementation Consultant can help determine what is truly required from your implementation to ensure the system complies with that country's specific legal requirements.

This is fundamental to ensure your system is legally compliant at 'Go Live'.

Countries, companies and industries always differ on cultural descriptive terms of processes. It's always a good idea to ensure the appointed project group are all on the same page and adopt, agree and understand common terms. We'll discuss this further under 'Terminology and Language Differences' towards the end of this document.



FISCAL/Tax Requirements

Fiscal and Tax processing and reporting requirements vary from country to country and are highly complex. Understanding what is required is core to its compliance. For example: GDPdU in Germany.

Some example questions that need to be asked are:

- What are the Fiscal / Tax Requirements?
- What are the VAT processes and where is the VAT liability?
- How does my VAT need to be reported and when?
- How does the system cope with withholding tax?
- Is the existing Property Management System able to process the required transaction in the correct manner and report in the required fiscal format?

The answers to these sample questions are vital in ensuring a legally compliant implementation of your Investment/Property Management system.

Reporting and Invoicing

The Invoice/Credit Note Challenge

Your existing Investment/Property Management system produces invoices and credit notes which have been your conventional format for years. But are these invoices and credit notes suitable for a new country? Yet again, what appears to be the same process is often far from that. Each country's customs and more importantly legal requirements vary considerably.

Countries such as Poland, Germany and the UK have very different ways of processing, numbering and formatting of both invoices and credit notes.

Is your existing Investment / Property system ready for processing statements, application for payments or even the Polish Corrective Note *and* handle the resulting legal reporting?

Chart of Accounts – Legal Charts, Reporting Charts – What is the challenge?



Having a well-structured, planned and thought-out Chart of Accounts is vital for clear, precise and meaningful financial & fiscal reporting both internally and externally.

In many countries across EMEA the fiscal Chart of Accounts is mandatory by law and differs hugely from your internal reporting requirements.

It is necessary to establish if the existing or proposed new Investment / Property Management system will meet all of your multiple Chart of Accounts and legal needs to enable the correct processing and reporting.

Yet again, there are many questions that need to be asked and answered. Sample questions can be:

- What are this country's particular legal requirements or legal Chart of Accounts structure?
- Do we need multiple charts of accounts?
- What are the individual Chart of Accounts or reporting Charts of Accounts needed to ensure that both legal and business requirements are met?



Reporting

From an internal, external and legal perspective Financial, Fiscal and Operational reporting are a vital part of any business.

There may be key reports that the business currently uses which work well in the current business model, but are not suitable in a new country. Investment / Property Management Systems that are often modified to comply with each country's processes will need reports to be newly compiled.

An independent Implementation consultant can advise on the best way to achieve your full reporting requirements and help to determine if external tools will help to adapt or rewrite reports.

Receivables, GL and AP Specific Requirements

Companies within EMEA will often have very specific Accounts Receivables, Accounts Payable, General Ledger processes and reporting requirements including requirements which are legally required. For example, specific banking requirements, invoice, journal, legal, transaction and reporting numbering. This vast array of requirements must be precisely appraised, understood and prioritised to ensure a legally compliant implementation of your Investment/Property Management system.

There are so many questions that must be answered, sample questions might include:

- Are you completely aware of the countries specific AR, AP and GL requirements?
- Do you know if and how your Investment/Property Management system is able to accommodate all the complexities that you uncover?
- What are the priorities?

An experienced Implementation consultant can advise and steer you through this process to ensure your organisation will get the right answers to each vital question.

Service Charge or Recoveries

Calculating, billing, recovering and reconciling property maintenance costs is a recognisable process and may already be performed in your existing Investment/Property Management system.

On the surface it may appear that this process is similar, however, in reality the process of Recoveries/Service Charges is very different and further investigation will undoubtedly uncover many variations and differences. For Example; the UK has an unique set of requirements for calculating service charges, Germany has a different methodology as does France and Italy to name but a few.

Fully understanding this key process from beginning to end will be important in a successful Investment/Property Management Implementation. As always, a precise knowledge of the full requirement is key to minimise risk and maximise success for the whole business.

An experienced implementation consultant can assist your business, guiding you through each element of the recoveries/service charge process. Examples of some of the important questions that must be asked and fully answered include:

- Do you fully understand how the end to end process and any legal requirements that must be met?
- Are there any particular calculation and billing methods that need to be considered and accommodated?
- What (if any) limitations does the existing property management system have which will impact on its implementation in the new country?



Current Process Vs Process Re-engineering

As you read through this document it becomes clear that understanding the process and procedure of a particular country is vital for a legally compliant implementation.

During the necessary process evaluation stage, the revisiting and evaluating of all the current procedures and processes is crucial to the project's success.

As always, there are many questions that must be asked and fully understood. Some include:

- What are the processes and procedures currently being used? What are the Pros and Cons of the existing processes?
- What are the main roles and responsibilities of the team in the new country and how does this impact on current and future processes and procedures?
- Are there more effective or efficient ways to tackle a process in the existing property management system?
- How can the process be re-engineered to make it more efficient taking into consideration all aspects of the business i.e. legal requirements
- Are all (if any) limitations or risks fully understood and what impact will these have on any current or future process changes?

An experienced Implementation consultant will provide the necessary expertise to allow your business to accurately assess current procedures and processes. Thus enabling informed decisions to be made regarding any process re-engineering requirements. It is vital that your business does not make the mistake of modifying the existing Investment/Property Management system based on old, tired or inappropriate procedures and processes, when a re-engineered process is far more appropriate for the business as a whole.

In addition, an experienced implementation consultant is valuable in helping your team through the challenging change and acceptance phase. More often than not this resource proves to be a vital component of any successful implementation project. It goes without saying that your team's attitude to change is imperative and a key condition to your implementation success.



Terminology and Language Differences

One of the biggest challenges when implementing an existing Investment / Property management system into a new country is ensuring that any language and terminology differences are fully assessed and understood. It can be easy for fundamental needs and requirements to become 'Lost in Translation.'

Navigating your way through the terminology and language differences will be paramount for a successful implementation. One of the most obvious examples is what is called 'Recoveries' in America is commonly called 'Service Charges' in Europe.

Training EMEA staff on a new system can expose another set of challenges as a consequence of language and terminology difficulties.

This will always be a tricky part of any implementation. Any misinterpretation is a real risk and can be extremely costly to a project in more ways than one. By working together with a professional Implementation consultant your business can successfully steer through the differences and dramatically minimise any project risk.



Conclusion

The process of implementing an existing Investment/Property Management system on a per country basis in EMEA will not be as straightforward as it may appear. This document has illustrated only some of the common challenges that are consistently faced and the task should never be underestimated.

In our experience a project's success is always dependent on three key conditions. Each condition is responsible to a third of the overall success of your project.

1. Your existing Investment/Property system and its suitability for the task ahead.
2. Your team's commitment to the required level of change.
3. The expertise of the Implementation Specialist employed on the project.

We have established there will be similarities but there are a vast array of profound differences which form the challenges ahead. However, better preparation enables your business to tackle each challenge and reap the rewards of operating a multi-national Investment/Property Management system.

Working with an experienced Implementation Specialist and/or Project Manager will help your business sail through each project stage, need and requirement i.e. legal needs and requirements and thus minimise any project risk to your expanding business.

In turn, a legally compliant Investment / Property management system will:

1. Provide ownership and continued control over your Investment / Property management system.
2. Essential in cementing, growing and maintaining a solid Client and Managing Agent relationship.
3. Forge an increased insight into the business by providing better visibility, consolidating opportunity and financial reporting.

Unlocking EMEA's Pandora's Box is a huge undertaking in staff resource, time and money. Securing the right plan and skillsets will ensure your business minimises risk and costs to achieve its goals.

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