

## ORGANIZATIONAL DESIGNING OF CONTEMPORARY AGENCIES FOR REAL ESTATE TRANSACTIONS

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**Abstract.** *A real estate transaction is a very specific business field, because of the characteristics of its business matter. Real estate agents, as immediate players in real estate transactions, have special requests and expectations. Buyers, sellers, renters and other clients in this field have a specific relationship towards real estate. These specific circumstances require equally specific organizational models. Having considered it and in the view of contemporary market conditions, technical achievements and changed clients' expectations, it is necessary to use an appropriate organizational design of subjects in real estate transactions. In this work the subject matter is to analyze the condition on the real estate market, technological aspect and clients' attitudes that can determine a proper organizational model of a modern real estate agency.*

**Key Words:** *Organizational design, real estate transactions, team organization, process teams*

### 1. INTRODUCTION

Sometimes organizations try to hold on to an organizational status quo, not noticing the changes that happen in their own market. Such a situation can be noticed in the field of mediation in real estate, where the major part of business develops within the framework of old-fashioned organizational models, in reference to contemporary standards and market requirements. The traditional mediators in the real estate fight with their own outdated way of making business deals, which significantly gets behind regarding market requirements. In our transitional circumstances, there are many reasons for such a condition in the field of real estate, starting from legal regulations to personnel education in this particular field.

What we entail under the term real estate transactions is a process of settlement of property or any other right connected with real estate business, from one or more property owners to the other owner of the same ownership right (or more of such other owners). In the process of mediation in real estate transactions, a mediator tries to find and connect

people with a buyer, a seller, a renter, and so on, that is, the person who would negotiate with a client on entering into certain contract, for example, on the sale of a certain property, on an apartment rent, on a rent of business premises, and so on. A mediator for the service of finding appropriate property, that is, a person helping during negotiations and closing of a deal, charges the payment for mediation in real estate transactions [13, p.59].

In this business there are services from different fields that are indispensable, such as a lawyer's, an architect's, insurance agent's, a financial adviser's, and so on. In addition, one needs to know the market characteristics, location characteristics, projects of objects and other predispositions to provide clients with right suggestions.

Organizational connecting of people with various fields of particularities and characteristics in the existing market and technological conditions with the aim of an efficient satisfying of clients' needs in real estate transactions presents a serious challenge for both practical and theoretical consideration of this issue.

## 2. BASIC CONDITIONS

A dynamic and changeable environment, as well as certain competition requires constant adjustments of all real estate mediators. Organizations for mediation in real estate, among which real estate agencies present the most frequent legal form, as participants and organizers of these activities are, as well as other participants in the market, targeted by the changes provoked by a very quick technological progress, by contemporary marketing concepts, by college educated clients and so on.

These are all factors in the background pointing out that there is a need for organizational business change of the usual mediators in real estate, especially because of the fact that clients, that is, both buyers and sellers of real estate, are more and more rational at spending and they are asking for better and better services for their money. Therefore, organizational adjustment is one of the conditions for survival and progress of these subjects in the real estate market.

### 2.1. Technological challenges

The traditional sale on commission is outdated due to technological progress. Buyers and sellers can be connected to a great number of ads on sale or purchase of real estates via the Internet. Different sites concerning real estate enable buyers and sellers to get round the traditional real estate mediators using computers to find a property for themselves, in case they are buyers, or, in case there are sellers, a buyer for their own property [15, p.138].

Besides, dot-com portals offer a wide range of services, which are, for example, packages with a discount. Every day new virtual enterprises appear with an online offer, providing a huge number of alternative options for buyers and sellers with their own significantly lower costs and an access to a practically endless market [8, p.50].

With an increase in the usage of Internet in real estate business, real estate mediators lose their monopoly over the information on offer and demand of real estate which makes real estate agents focus towards the other direction in order to perform other mediating activities in accordance with clients' needs. It implies the development of new agents' abilities and new models of their organization.

## **2.2. Marketing of mediators in real estate transactions**

The image of marketing itself is no longer enough to attract clients in the real estate market. Although this technique became outdated as early as the 1990s many real estate agencies are still using this tactics. Real estate agencies that advertise their successes online on their web pages generally do the wrong thing [14].

New clients are not so interested in the things that were achieved in the past, but primarily in the fact how they can get what they want now. They are led by the principle whether the presented thing is useful for me now. The attempts to persuade the buyers to cooperate because some agency or an agent is, according to their own statement, "a true professional" do not affect the potential real estate buyers or real estate sellers. In addition, talking about yourself is not a proper way to establish two-sided useful communication with clients and a good communication is the key to winning clients' trust [11].

For that reason contemporary real estate agencies are trying very hard to be prompt, interactive and very flexible with a wide range of skills that are used in business processes aimed at clients and their concrete needs.

## **2.3. Commissions**

For a long succession of years there has been a model in business of real estate according to which agencies charge the percentage from their clients from the realized real estate transactions, that is, the agency's or broker's payment and real estate agents usually get a part of the commission. It means that the agents are paid on the commission. The real estate agencies engage agents and other mediators to cooperate in real estate transactions and they offer a part of a realized commission to everyone who finds a client and realizes a transaction. Some agencies allow their real estate agents to work independently from their agency and they get paid only for the transactions that are closed in the agency [9, p.40-41].

Real estate agencies in Serbia charge a commission of 3% for their services. The agencies abroad charge a commission up to 6% relating to the price of a property. It presents a payment for all the agent's services offered to a client, including the marketing costs of the agency. Market analysis, professional negotiations, settlements, cooperation with various inspections, appraisers of real estate value, activities connected with a mortgage and so on, demand a significant expenditure of time, energy and specialist skills of real estate mediators. This way of accounting of the services' worth is getting off from the forming of traditional commissions and it focuses on the precise and understandable definition of services for which agencies charge a payment or a commission.

On the occasion of creating an appropriate organizational model it is important to know the fact that real estate agents, particularly those with great professional abilities, expect an adequate payment for their work, as well as a certain degree of autonomy in their work. For that reason they want to work for the agencies whose organizational model, as well as the model of a commission distribution, gives them most freedom and the greatest opportunity to be adequately rewarded for their work [1, p.54].

## **2.4. The consultant nature of services in real estate transactions**

It is a well-known fact that nowadays clients can independently educate themselves on many aspects of business and realize a purchase or a sale virtually without any help of a

mediator. The situation results from the fact that an expert's service, on a higher level from the client's, is the service that clients expect from a real estate sales agent.

The traditional organizational model and a set of necessary skills of a successful real estate agent can be seen from a completely different perspective. In the traditional model, real estate agents spend most of their time driving a seller or a buyer around to examine different properties, such as apartments and such premises. In the modern approach to the real estate transactions, the services of negotiating and consulting have become particular skills of an agent and these are the services that a client really needs and that he or she cannot find at some other place [2, p.8].

Real estate agencies do not essentially differ from any other service-providing organization, which is confronted with changes influencing the nature of their business. Stock market mediators have come a long way from "services with a discount", via "a package of services" to "the stock market and investment advisers" with various special skills [12, p.38]. This kind of transformation of services very much agrees with the convincing demands of clients in real estate market, who say that they want many kinds and combinations of services in real estate transactions. The organizations doing real estate transactions that provide clients with a wide range of options automatically gain a competitive advantage. Naturally, that is the case if there is really an advancement in the offered services and not merely a good idea and an organizational chaos. In that sense, real estate mediators can learn a lot from their colleagues from the financial sector, where consultant abilities of people in a direct contact with the clients, become more and more significant.

### 3. DESIGNING A MODERN ORGANIZATION

Designing an organization is a process of coordinating structural elements of organization in the best and most effective manner. By designing, a person creates an organizational structure, that is, material, composition and structure of an organization, as well as the parts of it. Organizing presents connecting of people and resources aiming to achieve a common goal. A good organization enables optimal usage of all the resources and a successful development of business processes which helps that people not to overlap at work and not to waste their time on unnecessary activities. Otherwise, a bad organization and lack of knowledge results in inefficiency.

#### 3.1. People

Considering the situation on the real estate market, that is, the conditions of a modern organizational designing of mediators in real estate transactions, it can be concluded that a new organization requires trained experts, who are skilled in their fields of business and connected in a team aimed at satisfying concrete needs and wishes of the clients in the process. That kind of organization has to be flexible with a high degree of freedom and autonomy in making decisions for the members of the team who all work together on providing services for a specific client.

In order to satisfy all these criteria, members of the organization, such as agents, back-up personnel or management, have to be free and creative, but also very connected and united in aiming to realize services for a client. Apart from expert skills, they have to have certain technical skills and to have communicating and negotiating skills.

### **3.2. Team approach**

Today we live in a society that prefers teamwork. The old-fashioned army like hierarchical style of management is out-of-date. The team organization is really an all-inclusive fusion of differences. It requires a special relationship towards your employees and an encouragement to develop their own skills, which is to become freer, more communicative, more creative and more productive [3, p.18]. Team-oriented organizations are mostly characterized by a subtle organizational structure, in which authority and making decisions is mainly appointed to teams. The teams represent a legitimate part of a formal structure with clear aims, assignments and a budget [10, p.340].

Therefore, it is no surprise that the most frequent method of managing a business in a newer practice of real estate transactions is such that agents of different fields of expertise form teams, in which the individual qualities will be revealed. The time has passed when a manager would strictly supervise the agents and their transactions in every field of operation from marketing through negotiating and financing to the final closing of a transaction [5, p.152].

Nowadays team members act with a higher degree of independence and freedom in making decisions with the support of the administrative personnel, also known as back-up personnel, which takes care of documentation in connection to all details of a business deal, especially when it comes to payment, closing of a transaction and storage of the documentation. These teams are managed by team leaders who work on the promotion of a team success, instead of an individual success. Clients are better served, that is more completely served, by a team than by an individual agent. Naturally, a commission further tends to be similar to the one given in organizations with the traditional organizational models. However, unlike traditional ones, team-oriented organizations offer a service that is on a much higher level.

The team model of organization will surely be further developed through practice and the market development. However, the model as it is now is definitely dominant in relation to the traditional model of real estate agencies. It can be expected that a comprehensive approach of professional agents on the real estate market, insurance agents, lawyers and financial advisers in teams will meet clients' expectations and satisfy their needs better than any agent working in the framework of the traditional organizational model.

### **3.3. Process approach**

The term process orientation is used to describe the organization stressing the holistic processes, which manages the complete chain of value of a product or a service. Such an approach to developing business activities is the key to achieving a benefit that is brought about by the process orientation [7, p.3]. Process orientation presents a great opportunity. However, it requires also a complete engagement of management [4, p.18]. The higher level of process orientation requires a higher level of a process management as well [6, p.4].

Process initiatives very often do not succeed in achieving the expected results if there are no adequate management of business processes.

In the view of this fact, real estate mediators should look up to other service-oriented institutions, such as the financial ones, which have already passed the market transformation and which have accepted process approach in their organization of business activities. If that has been performed by organizations of such a size and complexity, there is no good reason for organizations from real estate field not to do the same.

Such a strategy can be completely applied in real estate field. The process of this approach can be shown in the following way:

The main steps, that is, the elements of the process are:

1. Defining objectives - which services clients want and why;
2. Setting a strategy - how to ensure and provide these services and what are the expectations;
3. Implementation of the solution - a plan to realize the strategy;
4. Supervision of the progress - how to realize the planned activities and whether there is anything that has to be changed or if one needs to provide any additional services.

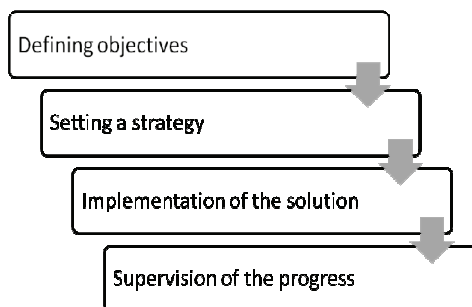


Fig. 1 The process of finding strategic solution for clients

### 3.4. Model of an organizational structure of a mediator (agency) in real estate transactions

In truth, real estate organizations have a small number of permanent employees in a great number of cases. On the other hand, there are a great number of various activities that have to be efficiently performed, so that in such organizations work has to be organized with a particular precision, unlike organizing work in bigger enterprises where a huge number of people have to be organized who will do their duties.

Well-organized work always brings good results. Of course, there is a certain difference between an organization at its business start and after a business growth, as it is when we consider an organization in different circumstances. Therefore, it is really necessary to distinguish important things from less important ones and creative ones from routine tasks. It is also extremely important to be able to set your priorities straight and to plan daily activities, weekly activities and monthly activities. In addition, it is especially important to recognize needs and expectations of real estate market. If after a certain period of doing business they do not reorganize and adapt to the market, such real estate agencies will become overwhelmed with less important businesses and less competent agents, which results in the loss of clients, the loss of position on real estate market and in the worst case closing the agency.

Organizational structure is a dynamic component of an organization and it changes under the influence of external and internal factors. Changeable market setting requires adaptable organizations that frequently change their internal structure. Flexibility and dynamics of an organization is reflected in establishing quality relations between specific organizational components, different people and their activities or their individual roles in the organization. These relations in an organization are defined and are set according to internal rules and acts of the organization. They present the wholeness of connections and relations between the existing components of an organization and within a framework of each component.

Accordingly, having considered all the mentioned facts, as well as the advantages of providing services through process-oriented teams, modern organizational structure of real estate mediators or agencies, can be presented as in Figure 2.

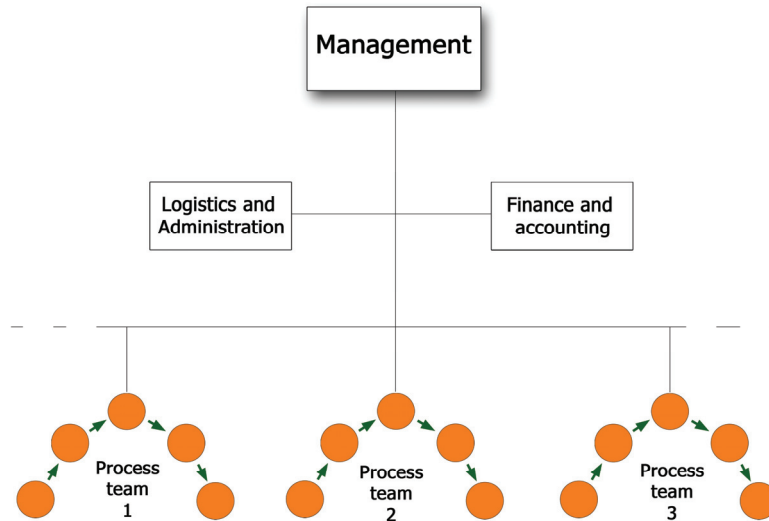


Fig. 2 Modern organizational structure of real estate agencies

#### 4. CONCLUSION

In order to grow and get ahead in new and changeable market circumstances, real estate mediators have to adjust to new market standards, to accept the newest technological achievements and to offer services that are needed in each specific case. That is essential for real estate agents to become able to make the right decisions. Only such organizations that have the ability to meet the changed needs and expectations of their clients will make profit in the following years. Real estate mediators who remain persistent in their efforts to do business within the framework of old organizational models can not hope for a mere survival, let alone hope to win a market. If bigger and better known real estate agencies do business according to the old-fashioned model, they will soon feel the reduction of their share on the market and will be forced to reorganize and accept the new market reality or they will disappear from the market. Future leaders on the real estate market will offer clients a great number of services, from which clients will be able to choose, no matter if they choose one service or its combinations that are most affordable for them.

Organizational structure of real estate agencies can be changed and redesigned several times before one finds the most suitable organizational model for a specific real estate agency. It is more advisable for more real estate agencies to specialize for a specific market niche, instead to waste one's means in vain in an effort to offer clients "a full package". A greater specialization in the local agencies will become a rule, where the agents will be only a part of the complete offer of services and they will focus only on a specific kind of services.

In modern real estate organizations, professional relationship develops on the partner basis with all the employees in the real estate process, such as lawyers, insurance agents, inspectors, financial advisers, appraisers, and so on. Very often organizations from different fields of business create strategic alliances that mutually complement each other.

In any case, mediator real estate agencies will have to raise the level of their specialization, to be more flexible and to offer a greater range of services. In order to achieve these aims, they will have to work within the team-oriented organizational model, to focus on the key business processes and to make alliances between themselves. The old organizational model will not survive in the following period.

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## ORGANIZACIONO DIZAJNIRANJE SAVREMENIH AGENCIJA ZA PROMET NEKRETNINA

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*Promet nekretnina je, zbog karakteristika nekretnina kao predmeta posla, veoma specifična oblast poslovanja. Agenti u agencijama, kao neposredni akteri prometa nekretnina, imaju posebne zahteve i očekivanja. Kupci, prodavci, zakupci i drugi klijenti u ovoj oblasti imaju poseban odnos prema nekretninama. Ovako specifične okolnosti podrazumevaju isto tako specifične organizacione modele. Imajući sve to u vidu, a u svetlu savremenih tržišnih prilika, tehničkih dostignuća i izmenjenih očekivanja klijenata, neophodno je odgovarajuće organizaciono dizajniranje subjekata u prometu nekretnina. U ovom radu se analizira stanje na tržištu, tehnološki aspekt i stavovi klijenata, prema čemu se daje odgovarajući organizacioni model savremene agencije za promet nekretnina.*

Ključne reči: *Organizacioni dizajn, promet nekretnina, timska organizacija, procesni timovi*