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Steve Sawyer
Syracuse University

Kevin Crowston
Syracuse University

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ICT in the real estate industry: Agents and social capital

Steve Sawyer Kevin Crowston Rolf Wigand

ssawyer@cat.syr.edu crowston@syr.edu rwigand@syr.edu

Syracuse University School of Information Studies

4-206 Center for Science and Technology, Syracuse, NY 13210

Telephone: +1 (315) 443-4473, Fax: +1 (315) 443-5806

Abstract

For the past year, we have been involved in a study of the ways in which information and communications technologies (ICT) are becoming pervasive in the residential real estate industry and their effects on the work lives of real estate agents. Our initial results suggest that analyzing an agent's social capital—the set of social resources embedded in relationships—provides insight into how real estate agents work and how that work is affected by ICT. Social capital has three components: structural, relational, and cognitive. ICT use affects all three components.

Introduction

For the past year, we have been involved in a study of the ways in which information and communications technologies (ICT) are becoming pervasive in the residential real estate industry and their effects on the work lives of real estate agents. There are several reasons why the residential real estate industry has been a revelatory case setting (Yin, 1984). First, real estate is an information-intensive business illustrating the role of information. Agents connect buyers to sellers and do so through control and dissemination of information. They are valued for the information skills they can bring to bear on making both listings and sales. Second, real estate is an appropriate setting for studying individual work changes because so much of what agents do is focused on individual relationships between the agent and buyers and sellers. Finally, the traditional work processes of real estate agents have been and continue to be influenced and shaped by the use of ICT. However, since agents and real estate firms are pure market-intermediaries (connecting buyers and sellers but rarely buying and selling themselves), their positions are threatened when ICT provide new ways for buyers and sellers to find one another.

Data and methods

In following the work of residential real-estate agents, we are seeking to document and understand how the agents use various ICT in their work. We used the standard data collection methods of fieldwork: interviewing (both semi-structured and structured), observation, and archival records (Jackson, 1987). Field notes were prepared after every encounter. These have two parts: a chronology of action and then an interpretation of these actions. The first represents a factual recounting of the observation period from the observer's perspective. The second provides for a more free-flowing account of the intuitions, innuendoes, and interactions that arose during, and because of, the observation. For the current research, we have focused on one local market that encompasses a medium-sized city and its suburbs. This focus allows for more convenient data collection in the pilot study. The purpose of the pilot study was to get a general sense of the issues involved in the use of ICT in the real estate industry and to develop a set of research questions. We will address the question of the generalizability of these findings in a larger-scale study currently being planned.

A series of 13 interviews and observations were conducted from September, 1998 through December 1998 with the agents, brokers, brokerage owners, and the local realty association president (who also is the president of the local MLS). Both experienced and relatively new agents, and technically sophisticated and technically naive agents were interviewed. After each interview, we asked our informants to recommend others to talk to (snowball sampling). We also observed two meetings of the local board of realtors committee on new ICT. We also collected all memos, correspondence, and other printed or written material that we could. Often, these 'organizational droppings' provide insight into observed behaviors, allow for historical insight, and set out future issues. Current archival data collection includes items provided to us by the agents/interviewees, material sent along by the local board of realtors, and extensive library research by two graduate students.

Transcriptions from both the interviews and observations were content analyzed. However, due to space limitations, we present only an initial snapshot of these results. Two analysis techniques are used to analyze these transcriptions: interim documentation and explanatory event matrices (Miles and Huberman, 1994; Miles, 1979). Interim documentation arises from the reflective, ongoing analysis of field notes. This was done by each researcher and jointly among all researchers. This powerful technique enabled the synthesis of data to support and refute interim propositions. This interim analysis also helps guide future data collection efforts. Explanatory event matrices relate constructs to events, organizing a rich set of data to respond to propositions (Miles and Huberman, 1994). This demands an *a priori* theoretical (or at least categorical) set of constructs to serve as one axis of the matrix. And, as we have discussed, the analytical basis used is structuration, specifically the three forms of rules and resources. Data are used to populate the cells, with the other axis being sources of data.

Theoretical basis

Our findings to date suggest that the concept of *social capital* provides a useful and comprehensive conceptual perspective (Tsai and Ghoshal 1998) for understanding the contribution of agents to the real estate process. For this work, social capital means the set of social resources embedded in relationships (Tsai and Ghoshal, 1998, p. 464). Social capital has three components: structural, relational, and cognitive (Tsai and Ghoshal, 1998; Wellman, 1988, pp. 31-40). The structural dimension involves social interaction that the agent uses to gain access, information, or resources. The relational dimension encompasses aspects that arise from the interactions (such as trust and loyalty). The cognitive dimension includes attributes such as shared norms, codes of action, and convergence of views.

In other words, we conceptualize real estate as an economic activity (a buy/sell transaction) set within social structures that the agents help to develop. These social structures define both how the agent, buyer, seller (and other contributors) behave and the various transactions that make up the sale of a residential property. An agent builds a set of relations within (and because of) their social structures. These relations and structures are shaped by norms and values—both of the agent and the people with whom the agent interacts.

Our study suggests that conceptualizing social capital in terms of network structures, such as articulated by the strength of weak ties theory (Granovetter, 1973, 1982), provides insight into how real estate agents work (Crowston, Sawyer and Wigand, 1999). The strength of weak ties theory suggests that the social network of any member is their primary resource. Further, this network can be viewed as comprised of participants who vary by the strength of relationship with one another. Strongly tied-together members in a network tend to be more similar to each other than different, more likely to be available for each other, share more common interests, and interact more frequently. Conversely, weakly tied-together members in a social network tend to communicate less frequently, be more different than similar, and provide both more new information into the network and more access to other social networks. Applied to the residential real estate domain, this suggests that agents with large social networks populated with more weak ties will have more social capital. The more resource-rich agents will get more listings (via acquaintances) and be able to point prospective clients to others who might be able to provide value-adding services.

Understanding how the three components of social capital are affected by ICT use provides a means to relate the work of agents to their roles as an intermediary during the buy/sell transaction. ICT use can affect all three components of social capital. For example, agents can use ICT (especially when they link together voice mail, pager and cell phone) to develop and maintain their social structures (their network of weak ties). Use of ICT can also alter the relational aspects of social capital. Agents who use ICT to buffer themselves from clients (not returning calls, not checking/responding to email, not maintaining a current Web site) will weaken relations. And, ICT use can alter what is expected of an agent. For example, many prospective sellers expect that an agent will provide a Web presence for their listing—going beyond traditional advertising mediums.

Conceptualizing realtor's work as the development of social capital allows us to view the process of a buy/sell as embedded in the social structures created by current contractual arrangements. For example, the closing step typically demands physical presence and paper-based transactions. Thus, an agent who can provide the seller (and/or buyer) with a competent lawyer maintains her position as a process facilitator while also drawing on her social capital (to bring the lawyer in). Further, she also increases her social capital by adding the seller/buyer (or both) to her network of weak ties.

Initial findings

From this pilot work, we can offer some initial findings (see also Crowston, Sawyer and Wigand, 1999). First, we observe that real estate agents' traditional role as an information intermediary is being contested. While real estate agents once had complete control over access to the MLS listings, this control has been weakened by the development of alternative sources of listing information. Until recently the only way a potential buyer could easily identify houses for sale was by working with an agent who could search the MLS database. The listing data was an important resource and source of power for the agent and therefore, closely held. However, for many regions MLS data are now publicly available on the Web. There are also find regional and large national corporate sites and individual realtors deploying their own Web sites. Further, mortgage firms, financial institutions, chambers of commerce, etc., are also established Web sites and cross-affiliations influencing the real estate business. As well, an increasing number of publications list for-sale-by-owner (FSBO) properties.

Second, we observe that real estate agents seem to play an increasing role in "process support." That is, as the contractual complexity of the real estate process increases, real estate agents are valued for their ability to guide the buyer and seller through the transaction. The legal, as well as financial implications embedded within these process changes are not always clear, and agents and brokerages are still trying to define and specify these changes. This process support is important for most buyers/sellers since most buy homes infrequently. As a result of these developments, the traditional roles of the real estate agent are being redefined. It appears that agents are increasingly a guide and hand-holder in this process. Moreover, these developments highlight how the social structure, personal contacts and local knowledge increase the value added by the agents. This value is contradictory to the potential for disintermediation suggested by market economics. In other words, the real estate business is not a "perfect" market—it needs this support offered by real estate agents to run smoothly.

Finally, we found some examples of the active management of weak ties and thus social capital. For example, in our interviews we learned that agents classify people as suspects, prospects, customers or clients depending on the degree of their relationship and treat people in these categories in specific ways. A buyer's agent sounds out the client in several ways to determine their needs, drawing specific information based on the interpretive schema of the agent. The robustness and complexity of the agent's interpretive scheme in

conducting this information gathering appears to be a major differentiator among agents (Lamb, 1997).

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