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DIAGNOSIS OF THE STRATEGIC MANAGEMENT PRACTICES: REAL ESTATE AGENCIES OF SANTA MARIA - BRAZIL

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ABSTRACT

The paper aims to diagnosis the Strategic Management practices in real estate agencies in the city of Santa Maria – Brazil. For this, a questionnaire was developed by the authors with aid from Google Docs tool and was sent through an electronic mail to all real estate agencies, from which 25 agencies responded, representing about 56.8% of all agencies contacted. The main finding is the inefficiently structured strategic management in the real estate management, which includes a series of aspects, such as strategic planning, indexes, SWOT analysis and employees training. Thus, the major implication of this paper is contributed broad diagnosis the strategic management operation in real estate agencies in the city of Santa Maria – Brazil.

Keywords: Real estate management, Strategic management, Strategic planning, Real estate agencies.

Contributors and Supporting Agencies: Capes and CNPq.
1. INTRODUCTION

Globalization has strongly changed how the activities are managed (TOO; HARVEY; TOO, 2010). It provides opportunities for further approximation between markets of different countries, or even from different sectors. In this sense, a collapse of the real estate sector has been a key factor of the world financial instability (AMONHAEMANON et al., 2013; BOUCHOUICHA; FTITI, 2012; DRIESSEN; VAN HEMERT, 2012). Therefore, it has generated an increased focus of the real estate situation including: quality financial information, performance evaluation, methods and strategies (ARKESTEIJN; VOLKER, 2013; GLASS; SCOTT; PRICE, 2013; PINTO, 2013).

Strategies in real estate have been studied in a lot of aspects, biases and areas (e.g. development of models appraising of housing, energy-efficient analysis, spatial planning and governmental leverage in the market). In the theme of housing, Johnson Jr. et al. (2012) develops a model appraising the strategic values of foreclosed properties for Community Development Corporations (CDCs). Other study in the area of housing acquisition is the one of Bayram, Solak and Johnson (2014), they built a stochastic model for the acquisition of foreclosed housing. In order to respect the issues of the environment such as build buildings energy-efficient, a strategic work was developed by Quitzau, Hoffmann and Elle (2012) with focus on activities engaging sustainable transitions in buildings. Strategic spatial planning is other area in focus of study in the last years, one example of that is the study of Todes (2012), where the utilization of management strategy were presented by the author as a way to organize the spatial planning in the City of Johannesburg. In the theme of Strategic Environmental Assessment of urban areas, Rojas, Pino and Jaque (2013) study was developed using as a basis the European Planning Directive to apply it to the metropolitan area in Chile.

Brazilian real estate’s market in contrast of the world tendency, in special the U.S. reality, has been booming (BIANCONI; YOSHINO, 2012; CHANG, CHOU, FUNG, 2012). The key factor of this booming is the habitation government program “My house My Life” (“Programa Minha Casa Minha Vida”) through an estimate of all cities in the country have the same construction cost than the big centers like the city
of São Paulo (BIANCONI; YOSHINO, 2012). Nevertheless, a property well located is more sought and economically more interesting. A chain reaction then started.

In this booming function, Brazilian real estate agencies in a short time had to adapt their strategies, structure, staff, and financial flow. The real estate industry has become more attractive; therefore numerous real estate agencies were opened and are now managed by former employees of the real estate agencies, as well as by professionals coming from different fields.

However, this overheating real estate market is pointing signals of decrease with projections of slowing (MILAN; QUADROS, 2013). Thus, the aim of this paper is to answer the following affirmation: Real estate agencies are prepared to deal with a downturn in the market?

To answer the affirmation, this paper is an attempt to enhance the current knowledge of the real state agencies strategies in Santa Maria / Rio Grande do Sul – Brazil, that according IBGE (2013), living in there 273,489 inhabitants. Additionally, the city has a strong federal and state public service in consequence of its geographical position and economic development, with a GDP per capita of R$ 15,720 for the year in 2010 (FEE, 2013). The town is called "University City" due to the high number of higher education institutions, being the third city in the country in number of masters and doctors per capita. Another important peculiarity concerns the fact that the Santa Maria has the largest military contingent in the country, including an Air Force Base (CIDADE DE SANTA MARIA, 2013).

2. STRATEGIC MANAGEMENT

Strategic Management (SM) consists of decisions on long-term goals and the resources and courses of action in order to achieve these goals (PALM, 2013). The SM scope is focus in the overall project management, with definition and sets about the course of the project enterprise (UZZAFER, 2013). In this sense, the strategic management explains competitive advantages, analyzing between others factors, the external aspects (BOYD; HOLLENSEN, 2012).

In the practice, the SM stimulates the development of the companies’ direct efforts, developing technology, restructuring the staff, agreements and mergers between companies (ALTIOK, 2011). Nixon and Burns (2012) related that the SM cycle, Figure 1, has activities framed within the following steps: (1) development of a
grand strategy, goal or sense of direction; (2) formulation of strategic goals and plans to reach them; (3) implementation of plans; and (4) monitoring, evaluation and corrective action.

The SM cycle, in Figure 1, starts with the appointed of an enterprise vision, goals, strengths and weaknesses. The second step is the formulation of strategies to respond to aspects that have been raised in the first step. At the third step is the implementation of the activities, defined at the previous step. The final step refers to the coordination and monitoring of the strategic activities in the enterprise (MORITA; FLYNN; OCHIAI, 2011). The structure shown at the Figure 1, must be adapted based in the reality of the company.

Though, Mintzberg, Ahlstrand and Lampel (2010) affirm that an enterprise does not need put on paper its strategy. The strategy could be realized of the way that the enterprise is manager.

However, the SM theories have not clearly turned into tools to solve all enterprise challenges (PRICOP, 2012). The SM has a general way focusing the raise competitiveness of the companies, in view of judgment, reason and generally focusing in the enterprise future (UZZAFER, 2013).
2.1. Strategic Planning

The Strategic Planning (SP) began to be designed as a tool for organizational development in the mid-1950s, and was used for more than thirty years in the private business sector, while in public sector management was developing entirely on the basis of national constitutions and laws (CAYMAZ; AKYON; ERENEL, 2013).

Presently, for Jennings and Disney (2006), the strategic planning is a frequently used management process, employed by managers in both the private and public sector to regulate the allocation of resources in order to develop financial and strategic performance.

Begun, Kaissi and Sweetland (2005) consider the strategic planning as an important factor for organizations to be able to have an effective operation. Therefore, Brews and Purohit (2007) appoint that strategic planning must fit into increasingly competitive scenarios.

Strategic planning offers a potential to establish which strategic decisions are fulfilled on time, fulfilling goals established. And the involvement of scenarios in regular strategic planning process is the way to preserve the performance and competitiveness of organizations, even though the environment shows unpredictable turbulence (ZAHRADNÍKOVÁ; VACÍK, 2014).

Therefore, the strategic planning is considered as an essential tool of management in an organization, and aims to provide course and to guarantee that the suitable resources are available at a right place and time for the pursuit of its objectives (ALDEHAYYAT; KHATTAB; ANCHOR, 2011). However, Kaissi, Begun and Nelson (2008) remind us that a formal strategic planning requires a considerable investment of time and other resources, such as behaviors, capabilities and organizational competencies.

3. REAL ESTATE MARKET

Real estate is the most important and expensive asset to achieve (LIN; LIN, 2011). It is the major capital asset in the world and its size of capitalization is larger than the common stock or bond markets (SHI; XU, 2013). The real estate market is a dynamic and interconnected structure, which includes the creation, transfer, management and financing of real property (GEIPELE; KAUŠKALE, 2013).
Real estate has the respective peculiar characteristics: heterogeneity, high investments, low liquidity and fix locations (COZZMEI; ONOFREI, 2012). Complementarily, the real estate market includes: securitized market, the commercial market and residential market (BOUCHOUICHA; FTITI, 2012). Other important real estate classification is that investment can be ordered in two groups, direct and indirect investment.

Direct investments can be acquired through purchase of property, and the indirect can be acquired through acquisition of shares or units of entities that hold the real estate (HEANEY; SRIANANTHAKUMAR, 2012).

Historically, investment in real estate has not been one of the better options in market, due the high capital tied, as well as the small performance ratios (LOUKO, 2004). Real estate markets have been developing in a globalized and integrated manner and it has been classified as globalized since the introduction of common real estate investment vehicle.

One cause of its change is the internationalization of real estate service providers, so it has developed more transparent international benchmarks and standards for better practices in real estate across the globe (HATEMI-J; ROCA, 2011).

Real estate bubbles are phenomenon occult relatively (WEISE, 2009). Although real estate positive and negatives asset prices bubbles are commonly associated in the cycles of the readiness of investors to take risks (KAKLAUSKAS et al., 2011).

Booms and busts in real estate markets have been a subject of attention for policy makers. In fact, central banks and the International Monetary Fund (IMF) studied the monetary policy on the residential sector (BOUCHOUICHA; FTITI, 2012).

Facing this reality, real estate agencies should be prepared to develop in this mutably scenario, intent the cycles of the property and market for competitiveness in this dynamic market.

3.1. Real Estate Management

In many parts of world, the policies and marketization have a necessity of integrated, efficient and professional real estate management (DORTLAND;
VOORDIJK; DEWULF, 2014). Furthermore the real estate managers have to attend the current and futures demand of organization, dealing with the diverse interests of the organization stakeholders.

The real estate manager should work efficiently considering the acquisition and understanding about the relationship of the market variables is important to maximize the value of the portfolio (LIN; LIN, 2011). More than houses, lands and apartments, the real estate portfolios include Real Estate Investment Trust (REIT), which are propriety or proprieties assets. This market was created in 1960 in consequence of REIT legislation construction by the US Congress (TSAI, 2013). Consequently, several changes have happened in the world real estate afterwards.

In order to support the decisions, management tools could have efficient results in organizations, such as: Strategic Planning, Scenario Planning, SWOT Analysis, Balanced Scorecard, Benchmarking, and Quality Function Deployment (QFD) (LAI; HUANG; WANG, 2011; ARKESTEIJN; VOLKER, 2013; FRANCO; MEADOWS; ARMSTRONG, 2013; HALICI; ERHAN, 2013; MACCARRONE et al., 2014).

Aspect and biases about the real estate management have been studied in the last years e.g. mortgage lender behaviors (HOTT, 2011), bank lending restrictions (CHE et al., 2011; CARLSON; SHAN; WARUSAWITHARANA, 2013), futures contracts (LEE; CHIEN; LIN, 2012; SH; XU, 2013), housing price model (WEN; GOODMAN, 2013; SHIM; BIN; HWANG, 2014) and more recently, green real estate (KRAUSE; BITTER, 2012; ZHENG; WU; DENG, 2012; ENCINAS; HERDE, 2013).

Brazil real estate management, such as the others fields about real estate has high potential to be studied, because only a few studies in real estate and the development economy have been published.

4. METHODOLOGY

The methods used for the realization of this study consist of a quantitative nature research, descriptive type, with regard to objectives, being developed by multiple case studies regarding the technical procedures, in real estate enterprises of Santa Maria - RS - Brazil. Regarding the data collection plan, the research follows the script presented in Figure 2.
The instrument was prepared with the aid of Google Docs tool, composed of ten close-ended affirmations in Likert scale, with issues concerning competitive strategies adopted by companies in the real estate sector of Santa Maria, in the year of 2013.

This questionnaire was sent through an electronic mail (e-mail), to all the real estate of the city, which returned a sample of 25 companies’ respondents, representing about 56.8% of the total real estate, excluding the autonomous brokers. The results were tabulated by crossover data and analysis making use of descriptive statistics.

5. RESULTS AND DISCUSSION

The first, second and third affirmations appointed similar results around the comments that SP are not defined, however 78% (affirmation 2) comments that SP is not applied, so 22% (affirmations 1 and 2) of the agencies have a SP defined but unused (Table 1).

SWOT Analysis, on managers vision are not applied in right way in 80% (affirmation 3) of agencies, and least in 4% (affirmation 3) of them the managers considers that is applied in completely right way. 16% in the affirmations 2 and 3, answer indifferent, that situation increase a doubt if they really have any notion about these tools, or in the point of vision of the manager these subjects are not relevant (Table 1).
The fourth and seventh affirmations comment about the index that the real estate agencies use and 76% (affirmation 4) have an inefficient Index System, or in the vision of the manager are indifferent. A similar results have been obtained, 72% (affirmation 7) of interview appoint that the productiveness index do neutral or not do advantageous in the agency. Only 12% consider their productiveness index is partially advantageous. One critical point is the 0% (affirmation 7) in agree completely for productiveness index advantageous.

The fifth affirmation, 76% disagree or answer that is indifferent if the employees in some level have an efficient training, only 4% consider that the training is efficient for their employees.

Mutually the fifth and seventh affirmations appoint a lack of interest of the managers in their employees, in one hand does not offer a sufficient training for their dealing with the market adversity, in other hand they do not keep up their productiveness.

Furthermore, the sixth affirmation appoint 87% of the managers classified their SM System as inefficient or indifferent, and only for 4% of them said that the SM System implanted in their agencies is completely efficient. The first affirmation appoint that 56% of the respondents comments that in some level, the real estate agency do not have a Strategic Planning defined, and only 12% agree completely that they have a Strategic Planning defined in their agency.

Yet, affirmation 10, relative to an adequate SP, showed 60% comments that in some level it is not adequate, and 24% appoint that is indifferent, in the other words, 84% of the agencies declared that the Strategic Planning is inadequate. No one has a completely adequate SP, however 12% comments that they have a defined SP, so why have a defined SP if it is not adequate?

The eighth affirmation appoint that for 80% of managers, the Financial Management is indifferent or in some level inefficient in their agencies, only for 17% said this area is partially or completely efficient. The ninth affirmation appoint that for 76% of managers, the Administrative Management is indifferent or in some level inefficient in their agencies, only for 12% this area is partially efficient and no one marked it as completely efficient. These indexes show that Financial Management and Administrative Management have similar and alarming performances in these
agencies. However, the Financial Management has a small better performance. The results, previously commented, are shown in the Table 1.

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This research pointed out the strategic inefficiency of Santa Maria’ real estate agencies. In the entire strategic themed affirmations, the classification in the manager’s view strongly concentrated in disagrees completely or indifferent, these sums in the worst range – varying from 72% (affirmation 7) until 87% (affirmation 6). In other hand the research could not find a group that concentrated in the best practices, seeing that in 4 affirmations (2, 7, 9 and 10) the classification of agree completely had not punctuation.

6. CONCLUSION

This study has provided an insight into the real estate agencies in the city of Santa Maria. The importance of this study is focuses on the details of a number of
factors relating to the strategies adopted in real estate, whereas, the real estate market has grown strongly in the last years in Brazil.

The prognosis of the real estate agencies researches strategic management, appoint lot of difficulties actuals and futures; is possible to affirm weakness in their formal administration and strategic management. However, Mintzberg, Ahlstrand and Lampel (2010) avow that is possible an enterprise have strategy only on the managers and owners way of manager their business.

Nonetheless Ansoff and McDonnell (1993) and Zimmermann (2011) related that the enterprise needs incorporate in their SP the internal and external aspects, such as the threats and opportunities, in the sense of make better decision for the future.

In the present research, only 1 of 25 managers of real estate agencies appoint that the Strategic Management system is apply completely efficiently, and for no one the actual Strategic Planning in its agency is completely adequate, and the most part of answers was located in disagree or indifferent part of use SM tools. Based on this information, is possible to affirm that the agencies are not strongly strategically prepared.

Therefore, the main contribution of the study indicates one concerning reality: the interviewed agencies are not interested in developing a structured strategic planning and using its tools. In view of this situation, the strategic position of the real estate agencies in our research would be extremely threatened if a downturn in the market starts.

The real cause of this not used of SM concepts and tools, although, not was researcher. In this way, is possible that they use a strategic different tool or the managers do not have knowledge enough about SM apply in real estate agency. In the twice possibilities, more studies are desired.

It is noted that although the economic outlook was positive for real estate agencies in recent years, many of them could be enjoying a stronger financial and strategic position, had it in their strategic scope using tools of Strategic Management. In a situation of economic downturn, maintaining the current strength of the surveyed agencies is unlikely.
Ideas for further research are the creation and implementation of a strategic methodology that could facilitate the strategic management and the creation of scenarios of use of strategic planning in Santa Maria real estate agencies.

REFERENCES


