Business Technology Strategy for a Major Real Estate and Mortgage Brokerage Company

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ABSTRACT

RealProp is a large real estate and mortgage brokerage that’s at the forefront of the emerging digital real estate industry. For many years, the company maintained an in-house technology staff, but more recently it sought new leadership to accelerate its digital investments and to explore alternative sourcing models. In this regard, the company plans to respond to new challenges that the industry is presenting as it evolves from a relatively predictable transaction model to one increasingly defined by the Internet. A phased strategy was developed that first stabilized the existing technology environment and then more strategic technology investments were made.

Keywords: Alternative Sourcing Models, Digital Investments, Digital Real Estate Industry, Internet, Mortgage Brokerage, Real Estate

BACKGROUND

RealProp operates in Northeastern United States. It’s privately held, though the value of the transactions -- home sales and mortgages -- exceeds $10B annually. RealProp is a full-service brokerage: clients can buy/sell homes and finance/re-finance mortgages.

RealProp has a variety of computing and communications technology challenges as it continues to expand and prosper. There’s an on-going need to optimize the relationship between technology and the business. The role of technology will only grow as the company expands and as technology matures to enable the complete real estate transaction

In its efforts to make technology work better (and cheaper), most of the attention was placed on the operational – versus the strategic – use of technology: most of the time and money spent on technology is not spent today on leveraging technology for competitive advantage but just to keep things running. It’s akin to spending too much time on getting the trains to run on time and too little on where the trains should be going.

Ten years ago this approach to technology acquisition and management made perfect sense. Arguably, even five years ago, the approach was prudent. But it’s not prudent today – and it will become competitively dangerous five

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years from now. Given the growing importance of technology, the larger question is: “does RealProp want to be in the technology business?” Does the company want to provide for the care and feeding of a growing number of technology professionals? Does the company want to develop – and sustain – a core competency in the development, deployment and support of computing and communications technology?

INTRODUCTION

There’s a long history of analysis of the real estate industry (Hanrahan, 1993; Haurin, 1988; Hughes, 1995; Jud, 1983; Jud, Seaks, & Winkler, 1996; Larsen & Park, 1989) and the application of technology to the business processes and models that today constitute the real estate business (Andriole, 2006; Anglin, 1997; Benjamin & Chinloy, 1995; Kabatim, 1996; Klein, Reilly, & Barnett, 2004; Peskin, 2009; Rodriguez, Lipscomb, & Yancey, 1996; Royal, 1995; Turnbull & Sirmans, 1993).

This research provided a backdrop to the RealProp business technology strategy development. The RealProp executives adopted the following approach and made the following assumptions to the development of their business technology strategy (Figure 1):

- RealProp should consider a major change in the way it buys, deploys and supports technology. The growth of the company and the complexity of computing and communications technology suggest that unless RealProp wants to make a major commitment to business technology, it should outsource the operational technology, co-source some of the business applications and continue to own (in-source) the overall business technology strategy.

- Technology at RealProp should be organized around three major activities: business applications management, infrastructure management and customer support.

- The following figure describes four business-technology “layers” and how each layer should be acquired.

![Figure 1. The layers of focus](image-url)
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