



## **Chapter VI**

# **AMERIREAL Corporation: Information Technology and Organizational Performance**

Mo Adam Mahmood  
University of Texas at El Paso, USA

Gary J. Mann  
University of Texas at El Paso, USA

Mark Dubrow  
University of Texas at El Paso, USA

## **EXECUTIVE SUMMARY**

*This instructional case, based on an actual firm's experience (name changed), is intended to challenge student thinking with regard to the extent to which information technology (IT) can demonstrably contribute to organizational performance and productivity and to which users of IT can relate their investment decisions to measurable outcomes. Relationships between an organization's investment in IT and the effect of such investments on the organization's performance and productivity have long been the subject of discussion and research. Managers, interested in knowing the "payoff" of such investments, are continually seeking answers to this question. A failure to understand the benefits of IT investment, or an over- or under-estimation of the benefits of a planned investment in IT relative to the costs, will likely result in less than optimal investment decisions.*

## BACKGROUND

Real estate is a natural and therefore limited resource. The total value of U.S. real estate has grown from the time of the island of Manhattan purchase for \$24 to a current day \$3 trillion. Whether used for commercial, residential, or federally protected use, land is a commodity that has experienced phenomenal growth over the past three decades, albeit with temporary setbacks. The majority of the world's land remains free of human habitation. It lies in the same natural state as it has since the creation of the earth. However, following a decline in the 1980s, the portions that have been developed for human habitat are experiencing a renaissance in value and, for property owners, increased earnings. As an industry, real estate has been viewed as a fragmented sector of commerce. Ownership was, and in many ways still is, an unsecured risk. As stated in *Forbes* magazine (December 29, 1997), "most of the commercial real estate in the U.S. is owned by private groups or individuals.....Somewhere between \$2 trillion and \$3 trillion worth, and very little of it publicly owned".

The real estate bandwagon has not always been so robust. During the early 1980s realty magnates consumed everything they could get their hands on. The cost of capital was low and banks and financial lenders were more than willing to loan cash or provide credit for such investments. Savings and loans institutions were multiplying and growing as fast as deals were brought to their loan officers. The U.S. economy was on a roll and real estate lending was unstoppable. However, all that glitters is not gold. By the mid-to late 1980s the economy had begun to deteriorate. Over-leveraged financial institutions were faced with declining profits. The once high-flying financial markets were showing signs of correction. Savings and loans were filing for bankruptcy and the federal government was called upon to bail out the millions of dollars in worthless bonds that had flooded the American economy a few years earlier.

Perhaps no other industry better characterizes the decline of the U.S. economy during the 1980s than that of real estate. Potential investors in real estate were weary of the irresponsibility of banks in lending capital to develop shallow development deals and transparent structures. Real estate, ranging from land development to shopping centers, hotels, and apartment complexes, collapsed under the weight of its own rapid growth and over saturation. No one was interested in backing new deals, and it would take years of increased demand before the real estate market would begin to recover.

### Real Estate Investment Trusts

President Dwight D. Eisenhower signed the Real Estate Investment Trust Tax Provision into law in 1960. The purpose of the provision was to motivate investment in the U.S. real estate market by granting preferential tax treatment to Real Estate Investment Trusts (REIT), thus allowing greater returns on investments. In order to qualify as a REIT, a firm was required to meet stringent taxable income rules. The optimal benefit of the REIT was that no portion an organization's net income was taxable, either at the local or federal level. However, to maintain REIT status, companies were required to distribute all earnings as dividends. Since REITs were not subject to a corporate tax, the shareholders' distributions were larger than that of a standard publicly held corporation.

10 more pages are available in the full version of this document, which may be purchased using the "Add to Cart" button on the publisher's webpage: [www.igi-global.com/chapter/amerireal-corporation-information-technology-organizational/6303](http://www.igi-global.com/chapter/amerireal-corporation-information-technology-organizational/6303)

## Related Content

---

### Customer Behavioral Trends in Online Grocery Shopping During COVID-19

Victor Chang, Ou Liu, Kiran Vijay Barbole, Qianwen Ariel Xu, Xianghuaa Jason Gaoand Wendy Tabrizi (2023). *Journal of Global Information Management* (pp. 1-27).

[www.irma-international.org/article/customer-behavioral-trends-in-online-grocery-shopping-during-covid-19/317081](http://www.irma-international.org/article/customer-behavioral-trends-in-online-grocery-shopping-during-covid-19/317081)

### Crowd Workers' Continued Participation Intention in Crowdsourcing Platforms: An Empirical Study in Compensation-Based Micro-Task Crowdsourcing

Gabriel Shing-Koon Leung, Vincent Choand C. H. Wu (2021). *Journal of Global Information Management* (pp. 1-28).

[www.irma-international.org/article/crowd-workers-continued-participation-intention-in-crowdsourcing-platforms/272235](http://www.irma-international.org/article/crowd-workers-continued-participation-intention-in-crowdsourcing-platforms/272235)

### Smart Technology For Addressing Pandemic Disruption: Impact of Social Media Influencers on Brand Awareness During the Pandemic

Kaneez Masoom (2022). *Using Information Technology Advancements to Adapt to Global Pandemics* (pp. 1-20).

[www.irma-international.org/chapter/smart-technology-for-addressing-pandemic-disruption/308854](http://www.irma-international.org/chapter/smart-technology-for-addressing-pandemic-disruption/308854)

### Factors Influencing Consumer Intention to Subscribe to the Premium Music Streaming Services in China

Victor Chang, Yifan Yang, Qianwen Ariel Xuand Chang Xiong (2021). *Journal of Global Information Management* (pp. 1-25).

[www.irma-international.org/article/factors-influencing-consumer-intention-to-subscribe-to-the-premium-music-streaming-services-in-china/273111](http://www.irma-international.org/article/factors-influencing-consumer-intention-to-subscribe-to-the-premium-music-streaming-services-in-china/273111)

### Big Data to Expand the Antimicrobial Therapeutic Arsenal: De Novo Discovery and Drug Repurposing

Antonio Tarín-Pelló, Beatriz Suay-García, Antonio Falcóand María Teresa Pérez-Gracia (2025). *Encyclopedia of Information Science and Technology, Sixth Edition* (pp. 1-29).

[www.irma-international.org/chapter/big-data-to-expand-the-antimicrobial-therapeutic-arsenal/320497](http://www.irma-international.org/chapter/big-data-to-expand-the-antimicrobial-therapeutic-arsenal/320497)