

Enhancing the Efficiency of the Management of Real Estate Companies through Organizational Structures

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Abstract

The article represents research on ways to make the management of real estate companies more efficient, starting from their structural organization. The organizational structure of the enterprise is a basic component of the general structure of the company and reflects the “anatomy of the enterprise” and the way of its conception, detailing, and implementation directly influence the activities required to achieve the objectives of the enterprise. On closer examination of a series of organizational charts of real estate management companies, the author observed a tendency to use organizational structures that are inefficient. The main objectives of this article are *to bring into the practice of real estate management a model of beneficial organizational structure*, both for the real estate management companies and for the construction companies that, besides the building activity, also deal with the management of their own real estate, and to *emphasize the particular importance of the organizational structure of the company*. The appreciation of the organizational structure represents the process of knowledge, understanding, and explanation of the existing situation through a detailed analysis of the factors that influence its condition through: the enterprise development strategy; the type and complexity of services; the size of the enterprise; the quality of human resources; the changes that take place in the external environment of the company, and last but not least, the legal framework and the statutes of the enterprise.

Keywords

Management of Real Estate Companies, Organizational Structure, Organizational Chart, Functional Structure, Organizational Relations, Hierarchical Weighting, Real Estate Project

1. Introduction

The management of the real estate company involves the joint activity of several specialists experienced in the real estate and construction market. They will interact with various situations and issues encountered by real estate developers both in the country and abroad. Previous research on the topic of real estate management efficiency through the prism of organizational structures, shows that a series of large organizational charts with an enlarged area of the general manager was proposed, which leads to over crowding it with problems that often remain unsolved, which in the practice of real estate companies from the Republic of Moldova have proven to be ineffective. So a wrongly conceived organizational structure has undesirable effects, leading not only to unjustified increases in production costs or delayed reactions to market demands, but also to possible conflict situations within the organization.

Specialists must have a broad and profound vision of the evolution of the market and of detecting and removing the causes of the problems that a real estate project may encounter. Property management will primarily include a clear analysis of the real estate state, fiscal, and legal situation of the property in question. The regulation of the legal and fiscal situation of real estate involves checking the property registers, their cadastral situation, and the fiscal situation with local administrations. Additionally, checking the real estate state according to the type of property requires a series of examinations, including the property capacity of generating profits should be analysed. Clients who do not have their own staff to manage their investments can enjoy the services of a real estate company, starting with budgets preparation and continuing until the management of payments [1].

The process of organizing real estate companies consists of grouping the activities necessary to achieve the company's objectives and assigning each group to a manager, who has the necessary authority to guide, train and coordinate the people who carry out these activities.

Any real estate company, in order to be efficient, should be based on a well-designed organizational structure. The organizational structure of the enterprise is a component of the general structure of the company and reflects the "anatomy of the enterprise" and the mode of its design, detailing, and implementation directly influences the activities required to achieve the objectives of the enterprise [2].

The organizational structure represents all personnel, organizational subdivisions (divisions, departments) and their relations oriented towards the achievement of the predetermined objectives of the enterprise. Organization is essentially a process of division of labour and of specifying responsibilities and authority [3]. The *raison d'être* of the organization derives from the need to establish hierarchies and the authority necessary to achieve the objectives. At the same time, the most efficient communication within and between groups is achieved, by defining the communication channels as clearly as possible.

The organizational structure of a company is acquired as a result of the organization, through the division of labour, vertically and horizontally, which leads to both the establishment of authority and its delegation on different levels of management, and the distribution of activities by departments. Therefore, the business units (departments) are defined by the division of labour and the set of authority and cooperation relations and constitute the organizational structure [4].

The appreciation of the organizational structure represents the process of knowledge, understanding, and explanation of the existing situation through a detailed analysis of the factors that influence its condition through the enterprise development strategy; the type and complexity of services; the size of the enterprise; the quality of human resources; the changes that take place in the external environment of the company; and the legal framework and the statutes of the enterprise. Overall, the organizational structure has two basic components, namely: the functional structure and the procedural structure. The functional structure represents all management functions and technical, economic, commercial, administrative departments, the way they are constituted and grouped and the relationships between them, necessary for the appropriate accomplishment of the managerial process and the execution processes. The functional structure, on the whole, is approached as a system comprising several components: the job, the function, the department; organizational relationships and the order of components (grade, hierarchical step, hierarchical weight) [5].

2. Development of the Organizational Structure of the Real Estate Enterprise

On closer examination of a series of organizational charts of real estate management companies such as “Cvartal mobil” [6]; “Loc express SRL” [7]; “Clas-simobile” [8]; “Protect mobil” [9] and “Delmar constructions” [10], the author has observed a tendency to use organizational structures that are inefficient, therefore, the author proposes a simplified and concise organizational structuring model, that is beneficial both for the real estate management companies and for the construction companies that, besides the activity of building, also deal with the management of their own real estate. The organizational structure of a real estate enterprise should be developed taking into account a number of basic principles, which should be adapted to the technical, economic and organizational particularities of each enterprise. Among the principles to be considered in this regard are:

- The principle of establishing specialized departments in relation to the basic functions of the enterprise;
- The principle of saving human resources and organizational relations;
- The principle of flexibility;
- The principle of bringing the management level closer to the execution team level [4].

Starting from these principles, one can proceed to the actual elaboration of the organizational structure, a process that involves going through the following stages:

- 1) Outline the objectives of the enterprise and establish the activities necessary for their achievement;
- 2) Establish the workload and the staffing needs by groups of homogeneous activities;
- 3) Set up the departments;
- 4) Draft the organizational chart in several options;
- 5) Analyse all developed options and select the optimal organizational chart;
- 6) Develop an internal regulation for the organisation and operation of the enterprise [5].

The graphic representation of the organizational structure of an enterprise is called an organizational chart. The organizational chart usually consists of rectangular boxes (representing the departments of the enterprise) and lines (which reflect the organizational, hierarchical, functional, cooperation, control relations among all the parts of the organizational structure). Depending on the size of the enterprise, both general and partial organizational charts are drawn up, they represent in detail the organizational composition of the respective compartments. In order to detail the different challenges involved in the organizational structure, it is necessary to develop an internal regulation of organisation and operation, which will include the following chapters: general provisions, organization of the enterprise, tasks and duties, final provisions [3].

Any successful real estate company should be based on a general, well-designed organizational structure, which, acting as a whole, ensures the successful achievement of objectives. A general organisational structure is proposed in **Figure 1**.

The company may also include other businesses that carry out related activities such as services in the construction industry, accounting, legal, marketing, human resources, design, facility management, etc. In addition to the facility and property management services offered by the company, it can provide its clients with other services such as the promotion of real estate complexes through marketing, advertising, and public relations, in order to facilitate the rental and sale of real estate managed by the company [11].

The company's departments should form a well-founded team, thus providing comprehensive services to all customers. The fiscal and accounting teams, lawyers and the human resources teams should work in partnership with real estate consultancy team, as shown in **Figure 2** [12].

The well-designed infrastructure of the company allows it to offer comprehensive property management service to its clients.

The main services provided by a real estate company are property management and real estate consultancy, as presented in **Figure 3**.

Property management involves the passage through the administrative management of documentation, the merchandising of properties, including the

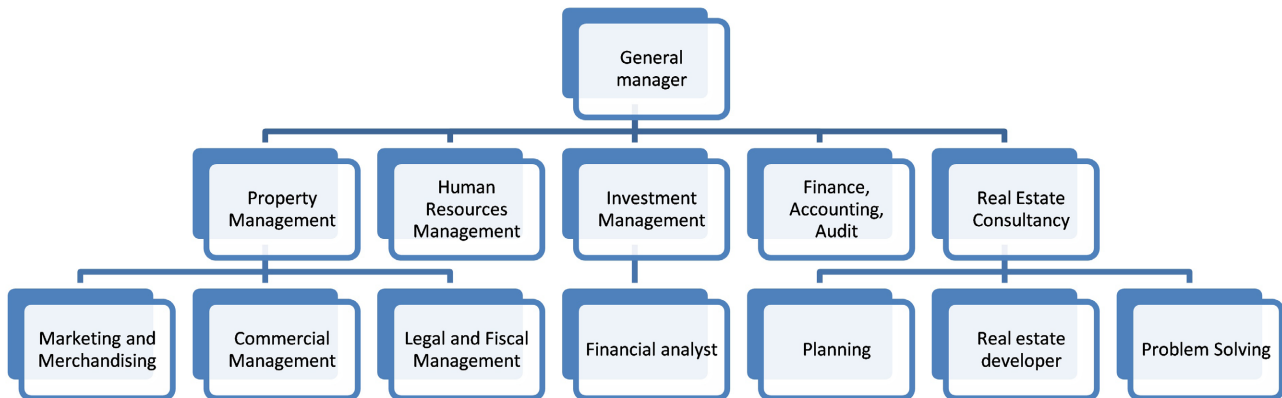


Figure 1. Organizational structure of a real estate company.



Figure 2. Cooperation of the real estate company departments.

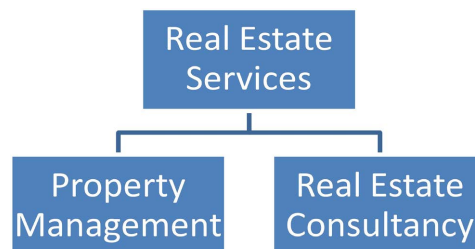


Figure 3. Real estate services of a company.

receipt and payment of suppliers invoices or the issuance and receipt of customers invoices. After the entire situation of the building is clear and its management strategy is established, the company can deal with the activities necessary to be undertaken to achieve the set objectives. These activities are grouped into 3 large categories, as shown in **Figure 4**:

- 1) Marketing and merchandising;
- 2) Commercial management of property;
- 3) Legal and fiscal management of property [4].

2.1. Marketing and Merchandising

The advertising and merchandising of real estate (investments) is a priority aspect of investment management. Companies should have their own marketing

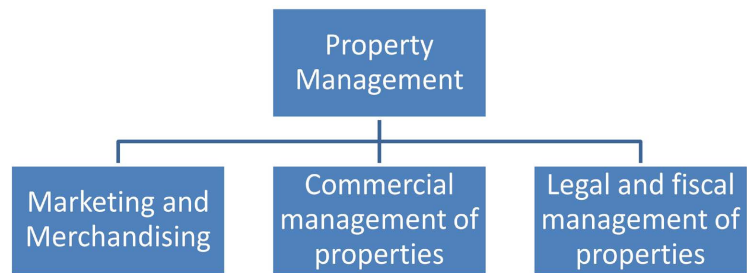


Figure 4. Property management activities.

department, consisting of real estate advertising specialists who will provide advertising services both online and offline, web pages, etc.

Additionally, the company should have its own commercial department, within which, commercial agents work both on the sale-purchase side and on the real estate rental side. The framework of commercial operations includes entire services involving:

- Presentation of properties to potential clients;
- Negotiating the commercial terms of the transaction;
- Negotiating the commercial terms of the agreement;
- Ensuring assistance for banking and notarial operations;
- Transmission of the property to the buyer or tenants;
- Execution of all administrative formalities required by financial authorities and providers of utility services [5].

2.2. Commercial Property Management

Investment management is an aspect that the company has to deal down to the smallest detail. This involves having their own intervention teams for the various problems that may arise in the managed buildings. Especially in winter, climatic conditions generate a number of issues or difficulties in buildings. Having such an intervention team is cost-effective in order to avoid major damage arising from small troubles.

The same team can deal with ensuring the optimal conditions of the buildings before presenting them to customers (for sale or renting) so that they are in perfect condition [12].

2.3. Legal and Fiscal Management of Properties

From a legal point of view, the “company” will deal with the updating of the leases according to the legislation in force, including clauses, which will protect the legal status of the investor owner, against non-fulfilment of the agreement, non-payment of rent or damages. From an accounting standpoint, the company monitors tenant payments for both rent and utilities. Invoices will be sent through an automated system that guarantees each tenant receives a detailed and clear invoice in a timely manner. The investor owner will be continuously informed about all the events concerning the respective property [12].

2.4. Real Estate Consultancy

The company should provide professional and transparent advice based on deep knowledge of the real estate market. The consultations provided by a team of professionals with experience in the real estate market will be of real use to manage the investment in a safe and profitable manner for a successful future [5].

Consultancy services in real estate can be grouped in 3 large types of activities as shown in **Figure 5**.

2.5. Investment Planning

The steps to follow in planning and implementing an investment are:

- 1) Clear definition of investment objectives
 - a) Investment in order to obtain an annual profitability on medium or long term through leasing (office spaces, commercial or industrial areas, hotels, etc.);
 - b) Speculative investment in real estate (acquisition of real estate at reduced prices based on a clear plan, assuming that the price of the building will increase prior to its completion, followed by the sale of the building before it is brought into use and the payment of the final price) or land (which does not have an urbanistic qualification and obtaining it within a short period of time for selling the land at a much higher price);
 - c) Investments for real estate developments (through the acquisition of land for the development of real estate projects of any type: offices, commercial or industrial areas, hotels).
- 2) Analysis of the most favourable structure for making the investment, both legally and fiscally.
- 3) Selection of various investment opportunities offered by the market according to the client's objective.



Figure 5. Components of the real estate consultancy service.

- 4) Analysis of various investment opportunities may include:
 - a) SWOT analysis, by analysing internal and external factors;
 - b) Market research aimed at analysing investment opportunities;
 - c) Economic research, business plan of the investment and its profitability;
 - d) Investment stages and cash flow.
- 5) Decision-making and investment implementation:

- a) Consultancy in financing the investment;
- b) Consultancy in negotiations with the seller;
- c) Consultancy in the design and implementation of the legal and fiscal structure;
- d) Legal consultancy in drafting and negotiating contracts [2].

2.6. Management of Real Estate Developments

- The management of a real estate development begins with the elaboration, by an experienced architect, of a Zonal Urbanistic Plan, it represents the constructions organization that will materialize on the land;
- Next step is to obtain the construction permit with all the formalities involved;
- The company may collaborate with various suppliers of construction services or may incorporate a company that deals with the construction of various projects such as:
 - a) Construction with a fixed price contract, including the execution of the project structure, up to the moment the building is brought into use;
 - b) Marketing and merchandising of the project through its own marketing and commercial departments mentioned above [11].

2.7. Solving Various Real Estate Issues

Many investors face various difficulties or challenges that can arise within real estate investments.

The company should have in its structure a division specialized in investigation, analysis, consultancy, and provision of solutions to the difficulties that arise. The challenges that may arise can be:

1) Legal, in this sense, thorough knowledge of the legislation by the specialists of the company's legal department and, if necessary, in collaboration with different law offices specialized in the respective issues, this kind of challenges can be solved.

2) Issues related to real estate investment, many real estate investments are experiencing cadastre or real estate qualification issues. Checking the property register on a regular basis in order to identify possible entries is an absolutely necessary precaution. Cadastral problems may occur especially at the acquisition of plots of land whose areas (from property documents) do not correspond to reality. These problems can be solved by following legal procedures which are slow and bureaucratic.

3) Fiscal issues, requesting an analytical report of the company from the fiscal administration, at least once a year, is an absolutely necessary precaution, thus proving that taxes and fiscal duties are paid up to date and therefore the investment is not in danger from a fiscal point of view [11].

Many changes and updates are produced annually, so being aware of all these aspects is an absolutely necessary measure to be able to provide quality services

to customers. A series of fiscal issues may arise from an incorrect monitoring of investments, which is why the company's professional specialists should constantly check the investments and their status to avoid potential complications.

The cadastral value of investments must be updated with certain periodicity based on professional valuations; otherwise different complications may occur.

Designing an appropriate organizational structure brings a number of advantages to the real estate company, such as:

1) It presents a clear structure of the company, without ambiguity that allows each employee to understand their role and where they are in the hierarchy of the organization. It supports transparency and clarity for everyone.

2) It clarifies roles and workflows by establishing hierarchy and authority, preventing miscommunication.

3) It improves the understanding of company by new hires, because it is an easy-to-understand "picture" for every employee, especially for the new ones.

4) It facilitates both the management and the planning of the workforce because it provides the necessary support in the process of managing tasks, allowing the visualization of each employee's workload.

5) It accelerates both the hiring and the restructuring of the company having an impact on the long-term plans of the enterprise, since it is the starting point when adding a new position or a reorganisation is desired.

6) It supports the culture of the organization by the fact that organizational charts help the employees to get to know each other, workplace friendships are the most crucial element for a beneficial working atmosphere.

7) It increases employee productivity by centralizing all employee data [2].

The organizational structure of the enterprise is created as something that ensures the continuous functioning of the enterprise, puts in order all the ideas of organizing the enterprise, therefore, sometimes it is difficult for the manager to realize that in the modern world the organizational structure is, on the one hand, the image of the order and stability of the company, and on the other hand, the most dynamic structure of the enterprise [1].

According to the experience of developing projects aiming to improve the organization of management the typical problems of organizational structures that usually occur in enterprises are lack of a clear distribution of the fields of activity of the first-level managers, violation of management standards, duplication of functions, lack of guideline for a number of vital functions for the enterprise, etc. This indicates the absence of a systematic approach to the development of the organizational structure, resulting in business processes that are not optimal and reducing the efficiency of the company [11].

The efficient organisational structure of the enterprise should be:

First of all, it should correspond to the enterprise itself, reflect its scale, products, territorial dispersion, take into account the efficient use of resources, both internal and external.

Secondly, the efficient organizational structure of the enterprise contributes to

the achievement of the company's mission and strategy.

Thirdly, the organizational structure should ensure the best environment of doing business, that is, optimal flow of business processes.

Fourth, it must integrate into itself as a metastructure all vital structures: functional structure, resource structure, financial, informational, and other structures.

Fifth, it should contribute to the development of the competences of the enterprise and to the maximum use of the skills of its employees.

Sixth, it should correspond to the organizational culture of the enterprise and contribute to its improvement [12].

3. Conclusions

In conclusion, we can emphasize the fact that experimenting with the development and introduction of new management structures is a characteristic feature of the first decade of the 21st century. The study of the forms of organization used by enterprises allows the author to conclude that the principle of diversity is gradually recognized. The search for a unique concept, that is, an ideal structure adaptable to any organization, is replaced by the tendency to create a diverse concept, in which the idea of an optimal model is completely missing. On closer examination, the author established that the most diverse combinations of known organizational structure types, adapted by organizations to their specific operating conditions, are often used.

Given the specific characteristics and peculiarities of immobile assets, the issue of real estate consultancy, especially on the investment planning side is quite complicated. Following the steps mentioned above, regarding the planning and execution of an investment, the company should find the actions to deal with the challenges.

The main trend is that each subsequent organizational structure becomes more flexible and simpler than the previous one. There is no doubt that having a wide variety of organizational structures, each of them satisfying the needs of a certain type of organization, will ensure a high efficiency in the management of the organization. The use of appropriate organizational structures by real estate companies can bring a number of advantages such as: transparency and clarity for employees; adequate communication at all hierarchical levels; facilitating labour management; supporting the organizational culture; increasing employee productivity.

Considering the current situation in the real estate market, the complexity and variety of challenges faced by the owners of real estate, especially commercial ones, it is proposed to the real estate companies of the Republic of Moldova to apply the organizational structure developed by the author and described in **Figure 1**. The implementation of this structure will allow for attracting and maintaining customers (especially those who have moved abroad), because they will not have to solve some specific issues and will be able to reduce their expenses and time waste.

Conflicts of Interest

The author declares no conflicts of interest regarding the publication of this paper.

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