

Short Title

The Social Organization of Residential Real Estate

ABSTRACT

The Social Organization of Residential Real Estate

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Doctor of Philosophy

Based upon field work done from 1969 to 1970, this thesis analyses the occupation of residential real estate, and the organization of the residential sales department of a large real estate company in Montreal, "Highgate Realities". Unlike most studies of occupations and organizations, it attempts to view its subject within the wider perspective of economic sociology.

Given this approach, the thesis has three major themes:

- (1) At the macro-level, a tentative model is formulated of residential real estate as a socio-economic system.
- (2) Within this system, housing sales create a niche for middlemen negotiators between buyers and sellers, giving rise to the entrepreneurial nature of the occupation.
- (3) Within the system, companies provide services for agents in return for shares of their commissions; and this services-for-commission reciprocity explains the striking lack of formal organization within Highgate Realities.

THE SOCIAL ORGANIZATION OF RESIDENTIAL REAL ESTATE

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PREFACE

This thesis, grounded in an empirical investigation of the real estate business, cuts across and, hopefully, contributes to three academically separate areas of sociology. To occupational sociology, it adds a detailed analysis of residential real estate selling as a type of entrepreneurial career. In the sociology of organizations, it examines the implications of a services-for-commission (rather than the usual wages or salary for work) employment agreement for activities within a residential sales department of a large real estate company. In economic sociology, it proposes a tentative model of residential real estate as a socio-economic system. More important, perhaps, it suggests that these three areas of sociology are mutually interdependent for at least some kinds of substantive investigations.

I am indebted to many people for help in completing this thesis - to Professor Malcolm Spector for guidance during the field work, to Professors Donald Von Eschen, Larry Felt, and David Solomon for helpful criticisms of earlier drafts; and to fellow graduate students Huntley Duff and Mitchell Prestman for interviewing vendors. Most of all, I am grateful to my supervisor, Professor Roger Krohn, who was a continuous source of insights and stimulation throughout my research and writing; and to my wife, Jeannie, for many kinds of invaluable help: typing, editing, criticizing and encouraging. Finally, I should like to thank the Canada Council and the Central Mortgage and Housing Corporation for financing my program.

TABLE OF CONTENTS

	Page
LIST OF TABLES	v
LIST OF ILLUSTRATIONS	vi
Chapter	
1 INTRODUCTION	1
2 THE WORLD OF RESIDENTIAL REAL ESTATE	9
3 THE SALE OF A HOUSE AS A COMPLEX SOCIAL TRANSACTION	40
Appendix to Chapters 2 and 3	66
4 THE RESIDENTIAL REAL ESTATE AGENT I: THE AGENT AS MIDDLEMAN	70
5 THE RESIDENTIAL REAL ESTATE AGENT II: WORK AND THE BREAKING-IN PROBLEM	101
6 THE RESIDENTIAL REAL ESTATE AGENT III: THE AGENT AS ENTREPRENEUR	128
7 AGENTS AND THEIR CLIENTS: DYNAMICS OF SHORT- AND LONG-TERM RECIPROCITY	168
8 STRUCTURAL AMBIVALENCE IN RELATIONSHIPS AMONG AGENTS	196
9 AGENT AND COMPANY: A REVERSE EMPLOYMENT RELATIONSHIP	237
10 HIGHGATE REALTIES AS AN ORGANIZATION	268
11 CONCLUSIONS AND IMPLICATIONS	310
Appendix I. METHODOLOGY	329
Appendix II GLOSSARY OF REAL ESTATE TERMS	360
BIBLIOGRAPHY	364

LIST OF TABLES

Table		Page
5A	Main Sources of Work Satisfaction and Dissatisfaction	117
5B	Previous Occupations of 25 Highgate Realities Salesmen	120
6A	Residential Real Estate Career Patterns	152
8A	Situational Co-operation as Indicated by Shared Listings	225

LIST OF ILLUSTRATIONS

Figure		Page
2A1	Total Dollar Value of All Types of Real Estate Transactions, Montreal Island, 1947-70	24
2A2	Total Number and Average Price of All Types of Real Estate Transactions, Montreal Island, 1947-70	26
2B1	Total Dollar Value of All Types of Real Estate Transactions, Highgate Realities Areas, 1961-70	27
2B2	Total Number and Average Price of all Types of Real Estate Transactions, Highgate Realities Areas, 1961-70	28
2C	Price Fluctuations in East and West (other than Lakeshore) Areas of the Island of Montreal, 1947-70.	29
2D	New Listings at Highgate Realities from November, 1967 to October, 1970, Per centage variation from the mean	31
2E	Seasonal Variation in Total Number of All Types of Housing Transactions: Island of Montreal and Highgate Realities Area	33
3A	Market Behaviour in Early Stages of a Buyers' Market	67
3B	Price over time	67
3C	Transactions over time	67
6A to E	Income Curves for five Main Career Patterns	151
10A	Formal Authority in the Residential Department (Owner-Managers' Conception)	275
10B	Power and Influence in the Residential Department	297
11A	The Basic Dynamics of Residential Real Estate as a Socio-Economic System	313

Figure

Page

- 11B An Incipient Change in Residential Real Estate as
a System 315
- 11C The Dynamics of Residential Real Estate Showing
Feed-Back Effects in the System 319

Chapter 1

INTRODUCTION

This is a study of real estate agents and the socio-economic system of which they are a part. Specifically, it focuses upon the agents of the residential sales department of a large real estate company in Montreal, Highgate Realities, from April, 1969 to October, 1970.¹ At one level, I describe and analyze the occupation of the residential real estate agent: his activities, his career strategies and patterns, his relationships with the significant others in his occupational environment (other agents, clients, managers), and the important implications of his occupation for the organization to which he belongs.

Although most of my data are about the occupation itself, I also attempt to relate it to its structural context viewed as a socio-economic system. On the one hand, the occupation and its organization can best be understood as part of this wider system. On the other hand, our knowledge about the dynamics of the wider system can be augmented by a detailed analysis of the occupation. At this more general level, this is a study in economic sociology.²

¹The names of the company and of all the characters are pseudonyms, because I agreed with the company's managers to confidentiality in reporting my findings. This was a condition that they reasonably imposed for me to carry out my field work. For a discussion of the methods of investigation used, see Appendix I.

²As I see it, economic sociology is the study of socio-economic systems, i.e., social systems concerned with the production and distribution of scarce goods and services. In this case, a sociological analysis is made of a system through

General Theoretical Orientation

By "social system," I mean recurrent patterns of behaviour that develop among people as they attempt to cope with their environment. Social systems are products of human interaction. Once established, however, they become a major part of the environment to which people must adapt. Current sociological theory is divided between those who conceive of social systems as determinants of behaviour, and those who conceive of them as products of behaviour.³ This study attempts to deal with both aspects through an empirical case study of the real estate business.⁴

Social behaviour, including that involving real estate agents, does not occur in a vacuum, but rather within a

which ownership of residential houses is distributed in Montreal. Economic sociology has a different method and focus from economics, aiming to analyze economic facts within a wider social context. Empirical studies in economic sociology might be of use to economists in deciding what assumptions to build into their performance models of various sectors of the economy. For an example of fruitful collaboration between an economic anthropologist and an economist, see "Economic Spheres in Darfu" by Fredrik Barth, and "An Economic Homologue to Barth" in Themes In Economic Anthropology, A.S.A. Monograph 6, ed. by Raymond Firth (London: Tavistock, 1967).

³Structural-functionalism and systems theory are the main examples of theories viewing social systems as determinants of behaviour, while symbolic interactionism and exchange theory both see them as products of interaction. Although I am using the concept system, this is not a "systems theory" approach. It does not assume that systems either have goals, or take action, or even that they "are characterized by the elaboration or evolution of organization." See Walter Buckley, Sociology and Modern Systems Theory (Englewood Cliffs, New Jersey: Prentice Hall, 1967), p. 40.

⁴For a classic study with a similar approach to the interplay between macro- and micro-level analysis see Everett C. Hughes, French Canada In Transition (Chicago: University of Chicago Press, 1957).

complicated environment of institutionalized rights and obligations, and of shifting social and economic trends. To understand correctly the behaviour patterns of our main characters, we must first locate them in this wider social and economic context. This is the intention in Chapter 2, where the wider context is treated as a set of parameters, externally imposed conditions to which agents adapt their behaviour.

But social systems are, at the same time, products of interaction. It follows, then, that we can better understand the dynamics of larger systems by detailed micro-level analysis of their parts.⁵ The analysis of the occupation of the residential agent is the main basis of the general inferences made here about residential real estate as a socio-economic system. For this reason, the full presentation of the model of this system (Chapter 11) does not appear until after the occupational analysis is complete. More detailed analyses of other parts of the system (for example, the Montreal Real Estate Board) would call for refinements of the model. An initial formulation, however, seems useful on the basis of my own and other studies.⁶

Two further properties of the system affect the

⁵This does not mean that we can derive the larger system from studying one of its parts. A perspective on the wider system can be gained from participant-observation at one level, but this perspective needs to be supplemented with other data and other studies.

⁶See Everett C. Hughes, "The Growth of an Institution: The Chicago Real Estate Board" (unpublished Ph.D. dissertation, University of Chicago, 1931); and Donald H. Bouma, "Analysis of the Social Power Position of a Real Estate Board", Social Problems, 10, 1962-63, pp. 119-130.

organization of this presentation: a primary determining logic,⁷ and a number of feed-back effects. By "primary determining logic," I mean that one unit of the system, the sales transaction, is the main causal determinant of the structure of the whole system. Because of this, the discussion of the sale comes early (Chapter 3) before the occupational analysis. By "feed-back effects," I mean secondary causal influences of one part of a system upon its prior determinant.⁸ Agents, for example, have feed-back effects upon sales by influencing the decisions of buyers and sellers. Real estate boards and companies have feed-back effects upon agents' behaviour. For this reason, the board and the company are discussed from two perspectives: in Chapter 2 as important parameters from the agents' point of view, and in Chapter 11 as parts of the model of residential real estate as a socio-economic system.

Outline of Chapters

Given its overall organization in terms of the general theoretical orientation outlined above, the bulk of this study is an analysis of the occupation of residential real estate. Within the wider environment discussed in Chapter 2, the sale of a house is seen as a complex social transaction between amateur buyers and sellers, with much bargaining over price and other terms

⁷Here I agree with Buckley, who criticizes functionalism and mutual interactionism for their "inability to deal with the causal priority of some parts of a system over others." op. cit., p. 77.

⁸This definition differs both from what Buckley terms "pseudo-feedback" and "true feedback." See Buckley, op. cit., pp. 52 - 58.

such as financing and occupancy (Chapter 3). Numerous sales in modern cities create a socio-economic niche for expert negotiators between the two sides; the occupation of residential real estate selling has emerged in response to this social need. Agents are middlemen who make their living by negotiating sales (Chapter 4). His role in the system makes the agent's work difficult and unpredictable, but challenging (Chapter 5); while its open-endedness rewards talent and hard work with high income and prestige. Differential success in this entrepreneurial work gives rise to the typical career patterns of agents (Chapter 6).

In their work, agents must accommodate their strategies and behaviour to clients, colleagues, and company managers. Short-term relations with potential purchasers are non-contractual, and tend to be more personal and friendly than the more business-like relations with buyers; while long-term success requires building up a bank of recurrent relationships with steady clients who do repeat business with an agent and refer friends and relatives to him (Chapter 7). Relations with colleagues are ambivalent, since any agent must compete with others for scarce listings and sales, but at the same time must be willing to co-operate with these same colleagues in sales negotiations. A number of defence mechanisms, such as co-operation on a situational rather than personal basis, and a marked absence of informal sociability, have emerged within the occupation to cope with this "structural ambivalence" (Chapter 8).

Just as knowledge of the sale as a social process is a necessary prerequisite to our occupational analysis, so the latter furthers our understanding of real estate companies as the

next unit in the system. Unlike most work organizations where owner-managers pay employees for services, real estate companies are best conceived as providers of services to agents in return for shares of agents' commissions. This "reverse employment relationship" gives rise to dyadic agent-company negotiations, and a peculiar lack of managerial control and formal rules at Highgate Realities (Chapter 9). The company is, however, a social collectivity, with a minimum level of solidarity through some leadership and collective decision-making. These weak group ties, symbolized and reinforced through the weekly sales meeting as a ritualistic occasion, temper somewhat the strong competition and stark individuality of residential real estate selling as a way of life (Chapter 10).

The concluding chapter (Chapter 11), attempts to draw together the threads of the two main themes. At the general level, a more formal model of residential real estate as a socio-economic system is proposed as an initial formulation. At the occupational level, the main findings of the study are summarized and related to the wider system. Finally, I suggest some implications of the study both for the occupation and for further sociological research of economic behaviour.

Specific Analyses: Descriptive Models and Grounded Theories

Much empirical description will be presented in these more detailed micro-analyses of the occupation. But I shall attempt to go one step beyond simple ethnography to build descriptive models and grounded theories based on the data. "Descriptive models," as the term will be used here, differ from theories in that they do not themselves explain relationships.

Rather, they abstract from empirical evidence to present the "ideal typical" characteristics of some form of social behaviour.⁹ They differ from empirical generalizations in that the researcher must decide what is "characteristic" and "typical". The correctness of his decisions can be checked only by further research and comparisons.

I shall also attempt to explain many of the characteristics of the models in terms of grounded theories,¹⁰ "grounded" in the sense that they emerge during the process of the research itself. Tentative hypotheses are formulated and checked through further research. The research continues until the investigator feels confident that he has developed a set of categories and integrated explanations that begin to account for and raise more questions about his subject. The models and theories of this study are presented in a discussional rather than propositional form. As Glaser and Strauss point out, this mode of presentation gives a better feeling of process and development, and guards against a static or "frozen" image of social life.¹¹

⁹For example, in his ideal type of bureaucracy, Max Weber outlines five conditions for effective legal authority, eight fundamental categories of rational legal authority, and ten criteria of the functioning of individual officials. See Max Weber, The Theory of Social and Economic Organization (New York: Oxford University Press, 1924), pp. 329 - 341.

¹⁰See Barney G. Glaser and Anselm Strauss, The Discovery of Grounded Theory (Chicago: Aldine, 1967).

¹¹Although I owe much to their book, I differ from Glaser and Strauss in three ways:

- (1) I distinguish between descriptive models and grounded theories;
- (2) I believe they overstate the difference between grounded and logico-deductive theory. Even grounded theories are mental constructs which cannot be induced directly from data.
- (3) I believe they underestimate the influence of other theories and preconceptions upon grounded theories. It is more than

A preliminary example illustrates this approach. In Chapter 8, a structural model will be developed of inter-agent relationships. Its characteristics include a well-defined prestige hierarchy among agents, much secrecy concerning their operations, and a lack of well-developed informal relations outside work. A grounded theory explains these relationships in terms of the services-for-commission system which produces institutionalized competition and differential success among agents. Differential success is the basis of the prestige hierarchy, and secrecy and lack of informal relationships are defences against competition.

Conclusion

This study has three aims:

(1) to develop a tentative formulation of residential real estate as a socio-economic system,

(2) to analyze the occupation of the residential real estate agent and its implications for Highgate Realities as an organization,

(3) to examine the dynamic relationship between the occupation and the wider socio-economic system of which it is a part.

These aims determine the organization of the chapters which follow

coincidental that, in line with their background and training, their own major concepts are social psychological rather than structural.

(For a discussion of the main influences upon this study, see Appendix I.)

Chapter 2

THE WORLD OF RESIDENTIAL REAL ESTATE

Real estate agents and their clients (buyers and sellers) must adapt to their social and economic environment. In this chapter we set the stage upon which our main characters will perform by outlining five important parameters or characteristics of this wider milieu in Montreal during the late 1960's. For discussion, this environment is conceived as having two aspects, institutions and aggregate trends.

Institutions involve both a set of rules which govern a particular area of social life, and some mechanism for sanctioning behaviour to make it conform to the institutional definitions. Three institutions set the context for Highgate Realties agents: the legal system governing ownership and transfer of immoveable property in Quebec, the Montreal Real Estate Board, and Highgate Realties itself as a particular kind of company.¹² Of these, the first is fundamental. The legal contract of sale, together with high social mobility, have promoted the growth of residential real estate selling as a full-time occupation. The Montreal Real Estate Board is a more recent institution, founded by local brokers to protect their interests. Once founded, the Board in

¹²Occupational organizations and real estate companies are also units of residential real estate as a system, and will be discussed as such in Chapter 11. At this stage, they are viewed as important parameters for agents' behaviour. For a discussion of the advantages of viewing the same social reality from different perspectives, see Peter L. Berger, Invitation to Sociology (New York: Doubleday Anchor, 1963).

turn has become an important part of the agents' occupational environment. Highgate Realities is a company proud of its good reputation and conservative approach, and it places restrictions on its agents that other companies do not.

Aggregate trends, the general outcomes of numerous social transactions, in turn help set the context for further behaviour. Two aggregate trends are important here, competition within the business, and recent market trends in Montreal. Strong competition, among both companies and agents, has a pervasive effect upon patterns of relations at the micro-level, while market trends affect short-run career opportunities and strategies.

Legal Foundations¹³

Economic right is the legally enforceable right to use some form of property and to prevent others from using it. It is always sanctioned by some form of political power. Control of immoveable property (land and buildings) which are in scarce supply is a major source of economic power. Western capitalist countries have long been characterized by a form of property control called "private property." In the Province of Quebec, laws governing private property are formally defined in a Civil Code.¹⁴

¹³The classic statement on the legal bases of capitalist economies is John R. Commons, The Legal Foundations of Capitalism (Madison, Wisconsin: University of Wisconsin Press, 1957).

¹⁴In this, Quebec Civil Law is based on the French Napoleonic Code, which is more formalized than the English common law system found in the rest of North America. The two systems do not differ significantly in their social and economic effects. Buyer, seller, and real estate agents move easily into and out of the province of Quebec from other Canadian provinces.

Immoveable property is legally defined as land and buildings and anything that is attached in such a way that, if it were removed, it would make the area uncovered incomplete or imperfect. Ownership is defined in Article 406 of the Quebec Civil Code:

Ownership is the right of enjoying and of disposing of things in the most absolute manner, provided that no use be made of them which is prohibited by law or regulation.¹⁵

One legal commentator points out that ownership is a socially defined relationship between a person and a thing.

Ownership is the legal relation or right existing between a person and the thing he owns including the various modifications of this right.¹⁶

Ownership of property can be acquired in a number of ways,¹⁷ the most common being descent and the impersonal contract of sale. Descent is an important area of articulation between kinship and economic systems, but our concern here is with the sale as a legal contract.

Sale is a contract by which one party gives a thing to the other for a price in money which the latter obliges himself to pay for it.¹⁸

The sale is legally binding: if one party does not fulfill his obligations as defined in the contract, the other party can sue him for the full amount of his obligations as well as for any damages that he may have incurred.

¹⁵Civil Code of the Province of Quebec, ed. by Lise Saintogne-Poitevin, 18th ed. (Montreal, 1965).

¹⁶Jean-Gabriel Pastel, The Civil Law System of the Province of Quebec (Toronto: University of Toronto Press, 1962).

¹⁷These are defined in Article 567 of the Civil Code.

¹⁸Article 1472 of the Civil Code.

The sale of a house involves two kinds of contracts, the agreement to purchase and the deed of sale. The agreement to purchase generally takes the form of an offer by the potential buyer which is accepted by the vendor, or a counter-offer by the vendor which is accepted by the purchaser. Most real estate companies, including Highgate Realities, have standard forms on which the offer is made. Quebec jurisprudence is unclear whether the agreement to purchase actually constitutes a sale, or whether the sale is complete only when the deed is signed.¹⁹ Whatever the legal position, from the real estate agent's point of view, the sale is not complete until the deed has been signed and recorded in the local Registry office. Although the broker has legal claim to the commission where an agreement to purchase has been signed and a deal falls through, Highgate Realities is usually reluctant to sue because of the danger of adverse publicity.²⁰ An offer to purchase is often accepted on the basis of some condition, such as the arranging of a mortgage, and where the condition is not met, the deal falls through.

There are no laws which specifically cover the relationships between brokers and agents and their clients, although the

¹⁹See the discussions by William S. Tyndale, "Promise of Sale and Rights of the Real Estate Broker," Real Estate Law and Practice, Faculty of Law, McGill University (Montreal, 1962), and Gerald E. Ledain, "The Real Estate Broker," McGill Law Journal, 4, 1957 - 1958, pp. 219-44.

²⁰A "broker" is an individual, partnership, or company legally entitled to run a real estate business. Legally, an "agent" is called a "salesman," and is employed by a broker to sell real estate. As we shall see (Chapter 9) the relationship between agent and broker is quite different from most employment relationships. For a Glossary of Real Estate Terms, see Appendix II.

listing contract²¹ between a vendor and a broker is covered under the general contract of mandate.

Mandate is a contract by which a person called the mandator, commits a lawful business to the management of another, called the mandatory, who by his acceptance obliges him to perform it.²²

Legally, there is no contractual relationship between the agent (salesman) and the vendor, although the former does have the authority to make a listing agreement on the broker's behalf, and the broker is legally responsible for the behaviour of the salesman in his dealings with the vendor.

Real Estate Brokerage Act

The Montreal Real Estate Board was instrumental in the enactment of the Real Estate Brokerage Act in Quebec in 1964, and its amendment in 1967. The Act defines a salesman as "any person who, employed by a broker or builder, carries out a real estate transaction."²³ The term "employed" reflects the brokers' interests in passing the bill. It implies that the broker is an employer and the agent an employee with respect to the law, but

²¹A "listing" is an agreement between a vendor and a broker permitting the agents of the latter to try and find a buyer for the vendor's house. There are three main types of listing:

- (1) Open Listing - no contract is signed.
- (2) Exclusive Listing - a contract is signed giving the broker and his agents the exclusive right to seek a buyer for the house. The contract specifies: a. the length of the agreement, b. the terms at which the vendor is willing to sell, and c. the rate of commission he will pay the broker.
- (3) MLS Listing (Multiple Listing Service) - a contract is signed with one broker (listing broker), but all members of the Montreal Real Estate Board are entitled to seek a buyer.

²²Article 1701 of the Civil Code.

²³Real Estate Brokerage Act, R.S.Q. 1964, Ch. 267, 15 - 16 Eliz. II, Ch. 75, p. 3.

in practice the relationship is quite different from most employer-employee relationships.²⁴ The Real Estate Brokerage Act requires as a condition for a permit that a salesman be "in the employ of a broker holding a permit or of a registered builder."²⁵ The salesman's formal status is now dependent upon his relationship with a broker.

The Real Estate Brokerage Act gives formal recognition to the occupation of real estate, and provides for its regulation. No-one is entitled to act as a real estate broker or agent unless he is licensed. In order to qualify for a broker's permit, a person must have had at least two years' experience as a salesman in the Province of Quebec, be at least twenty-one years of age, provide security of \$5,000, pay an annual fee of \$100, and establish his honesty, solvency and competence to the satisfaction of the Ministry of Financial Institutions. To qualify for a salesman's permit, a person must be employed by a broker, reside in the Province of Quebec, have a grade 11 certificate or its equivalent, be at least eighteen years of age, provide security of \$1,000 to the Superintendent of Real Estate to be held in trust, pay an annual fee of \$25, and pass a written examination on the principles and practices of real estate.

Summary of Legal Context

This complex of laws and contracts governing private property indicates its importance in Western societies. The core contract of sale is protected because the rights and obligations of buyer and seller are clearly defined and enforced

²⁴See Chapter 9.

²⁵Op. cit., p. 4

by law. The listing contract specifies the economic rights and obligations between vendor and broker, and, derivatively, vendor and agent. But agents' relations with potential purchasers, by contrast, are not legally specified. This may reflect the strong emotional importance of choosing a home, as opposed to selling one for an impersonal sum of money. Buyers need to trust and confide in their agents in ways that cannot be specified in a neutral contract, and realtors have not pressed for legal ties with buyers.

The varying degrees of institutionalization affect the agent's role in the system. Clients rely upon agents partly because of their uncertainty about the legal technicalities of sales. We shall see that talented agents play upon clients' uncertainties to promote sales negotiations. The Montreal Real Estate Board (a brokers' organization) has succeeded in increasing brokers' institutionalized control over agents. But the terms of these agent-company ties are still unclear, and we shall trace the way they are continually re-negotiated on a dyadic basis.

For the rest of this study, private property is taken as a given, as a set of parameters within which the social organization of residential real estate emerges. Housing sales create a need for expert negotiators; a social niche is created which is filled by real estate brokers and agents.

Occupational Organizations

A great number of local, provincial, national, and even international associations promotes and protects real estate interests. Highgate Realties belongs to six such organizations:

the Montreal Real Estate Board, the Corporation of Real Estate Brokers of the Province of Quebec, The Canadian Real Estate Association, the National Association of Real Estate Boards, the Building Owners and Managers Association of Montreal Incorporated, and Realcare Limited. These are avowedly business associations, while some real estate organizations aspire to professionalism. Membership is on an individual rather than a company basis, and requires that the members have taken courses and passed formal examinations in particular areas of real estate. Highgate Realities has qualified members in the Real Estate Institute of Canada, the Society of Industrial Realtors, and the Institute of Real Estate Management. Of these numerous organizations, only the local real estate board plays an influential role in the daily activities of agents.

Canadian cities have lagged behind their American counterparts in establishing independent occupational associations in the field of real estate. Whereas the Chicago Real Estate Board was founded in 1883, the Montreal board was not incorporated as an independent body until January 1st, 1954, although it had existed as a section of the Montreal Board of Trade since 1920. The Board was formed for reasons similar to those described by Everett C. Hughes for Chicago. Institutions grow around problems which elude final settlement:

Institutions are just those social forms which grow up where men collectively face problems which are never completely settled.²⁶

²⁶"The Growth of an Institution," p. 3.

The major problem in this case is the development of forms of co-operation among competitors to protect their mutual interests.

Real estate boards have been very successful at protecting the interests of their members within the wider community. Donald H. Bouma found that the board was a major non-governmental force in making, legitimizing, and executing community-wide decisions in the small American city of "Grand Valley."

Each member of the board was in competition with every other member as he sought listings of saleable property and sales to those seeking real estate. Yet the competitive orientation was submerged in the co-operative, and a united front was presented to the various publics involved in the decision-making process.²⁷

The Montreal Real Estate Board is primarily a brokers' association. Only licensed brokers, and the members of the boards of directors of incorporated real estate companies, are eligible for active membership. Salesmen employed by these brokers are accorded associate membership but have no voting rights. Many powerful business and municipal corporations are affiliate members who also lack voting rights. The Board is governed by a directorate comprising thirteen active members, only two of whom can be representatives of trust companies. The directors are all-powerful. They grant or refuse membership, nominate their own successors, appoint the chairmen of the various

²⁷Donald H. Bouma, "Analysis of the Social Power Position of a Real Estate Board," Social Problems, 10, 1962 - 1963, p. 125.

committees, appoint full-time administrative officers, provide an appeal board from their membership in the case of a dispute, invest or borrow money for the Board, and amend its by-laws.

Although, as of August 31st, 1969, only 253 out of 647 brokers in the Montreal metropolitan area (39.1 per cent) were members of the Montreal Real Estate Board, these included all the larger companies. The Board had 1314 salesmen as associate members, representing 77.6 per cent of all salesmen in the metropolitan area, and 66.4 per cent in the Province of Quebec.²⁸ Most real estate transactions in the Montreal area involve some member of the Board, but, like other real estate associations, it has failed to establish itself as the sole governing body. It lacks the legally enforceable monopoly power of the associations governing the established professions of law and medicine.

Among its members, the Board regulates competition through a schedule of minimum charges and commissions, a set of by-laws, and a code of ethics. The minimum commission rates set by the Board are generally charged in practice. They include a rate of 5 per cent of the total selling price for the sale of an Exclusive listing, and 6 per cent for an M.L.S. listing.

Underlying the power of the Board over its members is its provision of a co-operative listing system called Photo Multiple Listing Service (M.L.S.) By signing an MLS listing

²⁸The information in this and the succeeding section on real estate market trends was kindly supplied by the Research Director of the Montreal Real Estate Board.

agreement, the vendor improves his chances of selling his house by gaining access to a wider market of potential buyers. The broker with whom he signs, called the listing broker, sends a copy of the listing to the Board which in turn distributes copies of the particulars and a picture of the property to each of its participating member brokers. The agents of these brokers can then look for a buyer for the property. By contrast, if a vendor elects to sign an exclusive contract, only the salesmen of the broker with whom he signs are eligible to find a buyer for his house. The Board charges the listing broker a listing fee of \$10 and a service fee of 3 per cent of the gross commission if the house sells during the period of the listing. The net commission is divided equally between the listing broker and the selling broker, and the brokers in turn distribute a share to the agents involved according to the commission schedules of their respective companies.

Bouma found that the MLS system was the main source of discipline of the real estate board in Grand Valley, and the same applies in Montreal. Companies depend upon MLS listings for indirect access to the many clients of their competitors. The officers of the Board recognize this power base. When asked what would happen if some broker charged below its minimum rate, the Director of Information replied at once:

Well, we can dismiss the broker from the Board.
That could ruin some people, it means the end of
MLS for them to start with.

The Board also protects the real estate business through political lobbying for lower property taxes and against government "interference with private property rights." Hughes emphasized

this concern of the Chicago Real Estate Board from its inception:

... the enthusiasm of the Board for tax reform is doggedly persistent, as untiring as the interest of real estate men and property-owners in advancing their financial welfare.²⁹

All the lesser roles of the Chicago Real Estate Board are subsidiary to its major effort to keep land in the market and to preserve the real estate agent's place there.³⁰

In Canada, the brunt of political lobbying has passed from the local board to the provincial association and the Canadian Real Estate Association. In April of 1970, for example, the Association submitted an eighty-five page report to the Canadian House of Commons and Senate protesting reductions in depreciation allowances and capital gains taxation proposed in the Federal Government's recent white paper on tax reform. The Association has also protested against a suggestion of the Economic Council of Canada that service industries be brought under the jurisdiction of the Combines and Investigation Act. The conservative role of real estate associations as protectors of private property and property transfer through the market mechanism remains unchanged from the efforts of the fledgling Chicago Real Estate Board in the 1880's.

The Level of Competition

Real estate boards do not prevent the business from being highly competitive.³¹ As of August 31st, 1961, there were 647 brokers operating in the Montreal Metropolitan area.

²⁹Op. cit., p. 79. ³⁰Op. cit., p. 85.

³¹Commission rates are fixed but there is strong competition for clients.

But most of these were small one or two man operations. The top ten companies, employing over fifty agents, were involved (either as buying or selling broker) in 63.7 per cent of MLS transactions in 1970. (MLS sales constitute approximately 15 per cent of all types of real estate transactions in Montreal. The figure is higher for residential sales alone, but exact data are not available.)

The largest companies differ according to specialization and range of real estate services. Specialized real estate companies, such as Highgate Realities, deal exclusively in that business and offer services in all types of real estate brokerage and management. Recently, they have faced increasing competition from trust companies. These lending and mortgage institutions have recently expanded into real estate brokerage, particularly in residential sales. In MLS transactions, the trust companies' share of the market has increased from 33.1 per cent in 1966 to 37.2 per cent in 1970, and that of the single largest company from 17.2 per cent to 21.6 per cent. More significantly, this largest company, which accounts for this increased share, has grown by 225.5 per cent in that time, compared to a growth rate of 205.2 per cent for all trust companies, 182.4 per cent for all MLS subscribers, and 154.9 per cent for Highgate Realities. The trust companies are able to provide financing, a nation-wide referral system and a guaranteed purchase plan to their clients in competition with the more specialized local knowledge of the other brokerage firms. They are also able to arrange reciprocal deals with larger corporations, and handle estates for clients in other

departments. The extent to which the trust companies can continue to expand at the expense of smaller firms is not clear. One effect has been that the larger specialized companies, including Highgate Realities, have begun to compete by offering nation-wide referral systems and guaranteed purchase plans of their own.

We will see that this competitive struggle among companies has a pervasive effect upon agents and their work relations. Because the client has many agents and companies from which to choose, all of whom would be pleased to have his business, he can demand good service and expect his agent to work at any hour. The agent depends upon building favourable relationships with his clients as his most important asset. The high level of competition also affects relationships among agents. It gives rise to much suspicion, secrecy, and occasional open conflict among them; although, as we shall see, there are important areas of co-operation among agents as well, and they have developed social and psychological mechanisms for dealing with potential conflict.

Real Estate Market Trends and French-Canadian Nationalism

Market trends have important effects upon the behaviour of buyers, sellers, and real estate agents, and are thus another important parameter for understanding their patterns of interaction. Montreal experienced continual and rapid growth of total value of all types of real estate transactions from the end of World War II until 1966, except for a slump in 1960 - 1961. Since the peak year of 1966 the market has been declining

with a particularly sharp decline from 1969 to 1970 (see Chart 2A1). The total value of transactions is the product of the number of transactions and the average price of each. The most interesting feature of real estate market trends in Montreal has been that the market decline can be explained almost entirely by a decline in the number of transactions since 1964. Prices have continued to rise, indeed to the extent that they compensated for the decline in number of transactions until 1966.³² Since 1947, the peak years for prices, 1969 and 1970, have coincided with the lowest years for number of transactions (Chart 2A2).

The predominantly English-Canadian areas serviced by Highgate Realities show similar patterns to the island as a whole (Chart 2B1), except that the price level reached its peak in 1966, declined slightly, and has remained stagnant from 1967 through the duration of my research to 1970 (Chart 2B2). It is tempting to explain this difference from Montreal island in terms of political pressure upon the English community in the city from the growth of French-Canadian nationalism. But this would be misleading. As Chart 2C shows, price fluctuations are remarkably consistent between the East Island (79.7 per cent French, 12.3 per cent English) and West Island (47.1 per cent French, 34.5 per cent English). If political pressures are the cause of the decline, they have affected all regions of the

³²Both trends may have reflected a general increase in the average size of units.

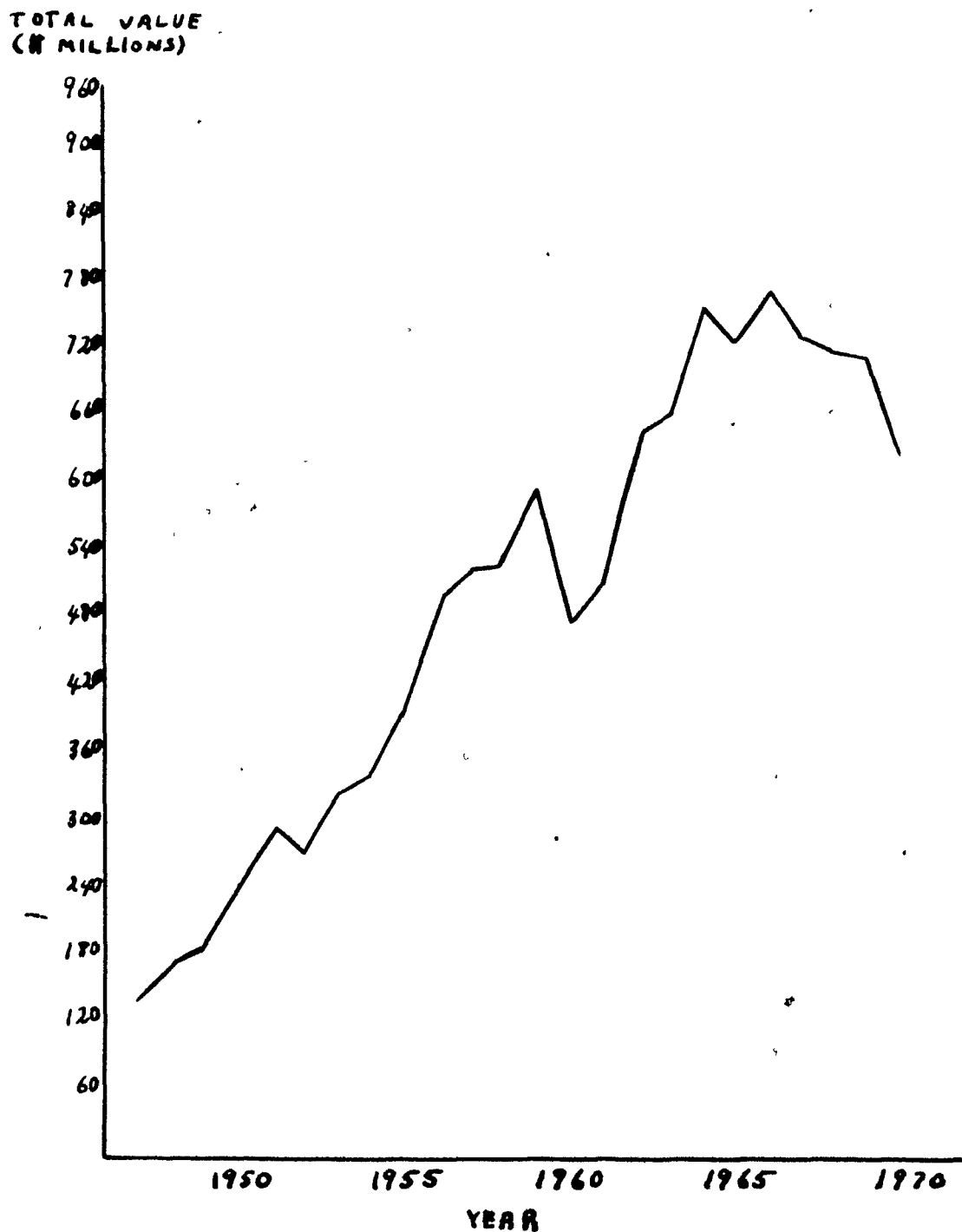


Chart 2A1

Total Dollar value of all Types of Real Estate Transactions, Montreal Island, 1947-70
(Information supplied by the Montreal Real Estate Board.)

island. The general trend has probably been exacerbated somewhat in Highgate Realtes areas because one of these, the City of Westmount, is looked upon as a bastion of the English establishment in Quebec by French nationalists. Westmount has been a major target for the guerrilla bombings of the militant Front de Libération de Québec.

Sales trends show only part of the picture. The most striking feature of the market during my research was that it was clearly a "buyers' market." The number of people who were actively interested in selling their houses far exceeded the number seeking to buy. Every real estate agent and vendor questioned agreed that it was difficult to find buyers, and most mentioned the political situation as a contributing factor.

Vendor A It's very rough on today's market. It's hard to say why exactly. Probably for a lot of different reasons. The cost of living in general is high. People are scared of the Separatists. Don't kid yourself, it's not pleasant living in an area where there are such tensions. A lot of my friends are getting out of this area altogether, retiring and going south.

Vendor B It's just hard to sell on today's market. Naturally, it's because of two factors. The first thing, and I think this is the first thing, is the cost of money. The second thing is, of course, the upset condition and problems of Quebec. I think that's second.

It is difficult to isolate the various causes of the market slump in Montreal. High interest rates, the long-term business cycle, and a general let-down after the boom leading up to the world's fair, Expo '67, have all been suggested. Chart 2A1 could be interpreted to support any of these. The interest rate for first mortgages reached an all-time high from 1968 - 1970, ranging from 9½ per cent to 10½ per cent, but the

TRANSACTIONS
(thousands)

AVERAGE
PRICE
(\$ thousands)

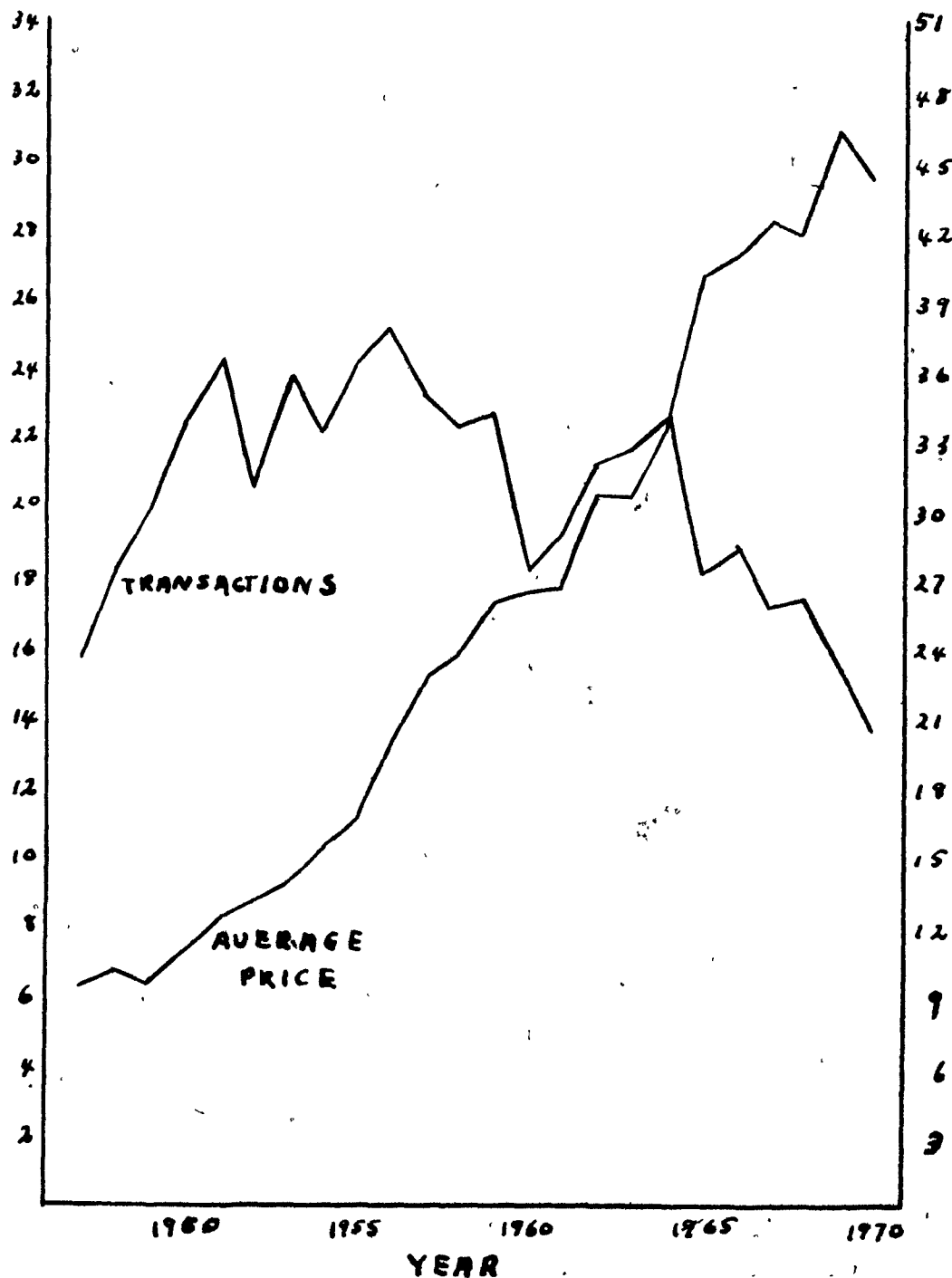


Chart 2A2

Total Number and Average Price of All Types
of Real Estate Transactions, Montreal Island,
1947-70
(Information supplied by the Montreal Real
Estate Board.)

TOTAL VALUE
(Millions)

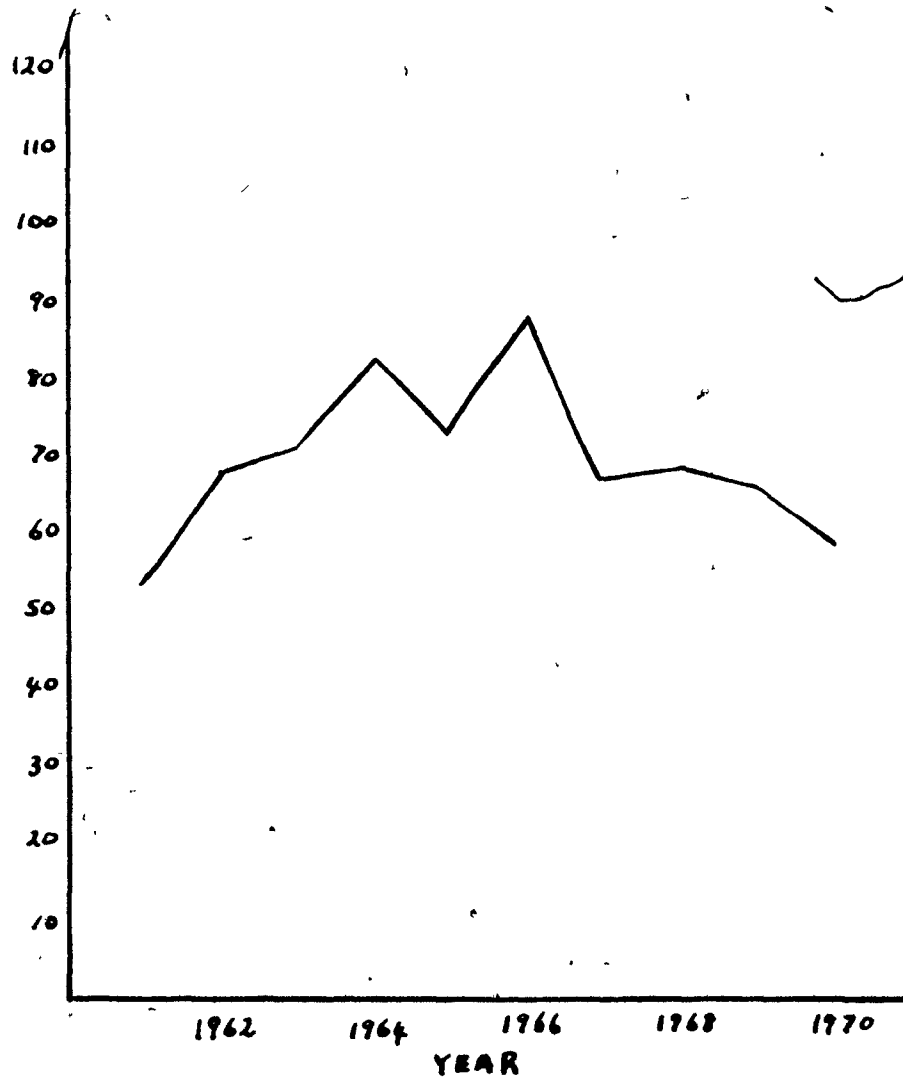


Chart 2B1

Total Dollar Value of All Types of Real Estate Transactions, Highgate Realities Areas, 1961-70
(Information supplied by the Montreal Real Estate Board.)

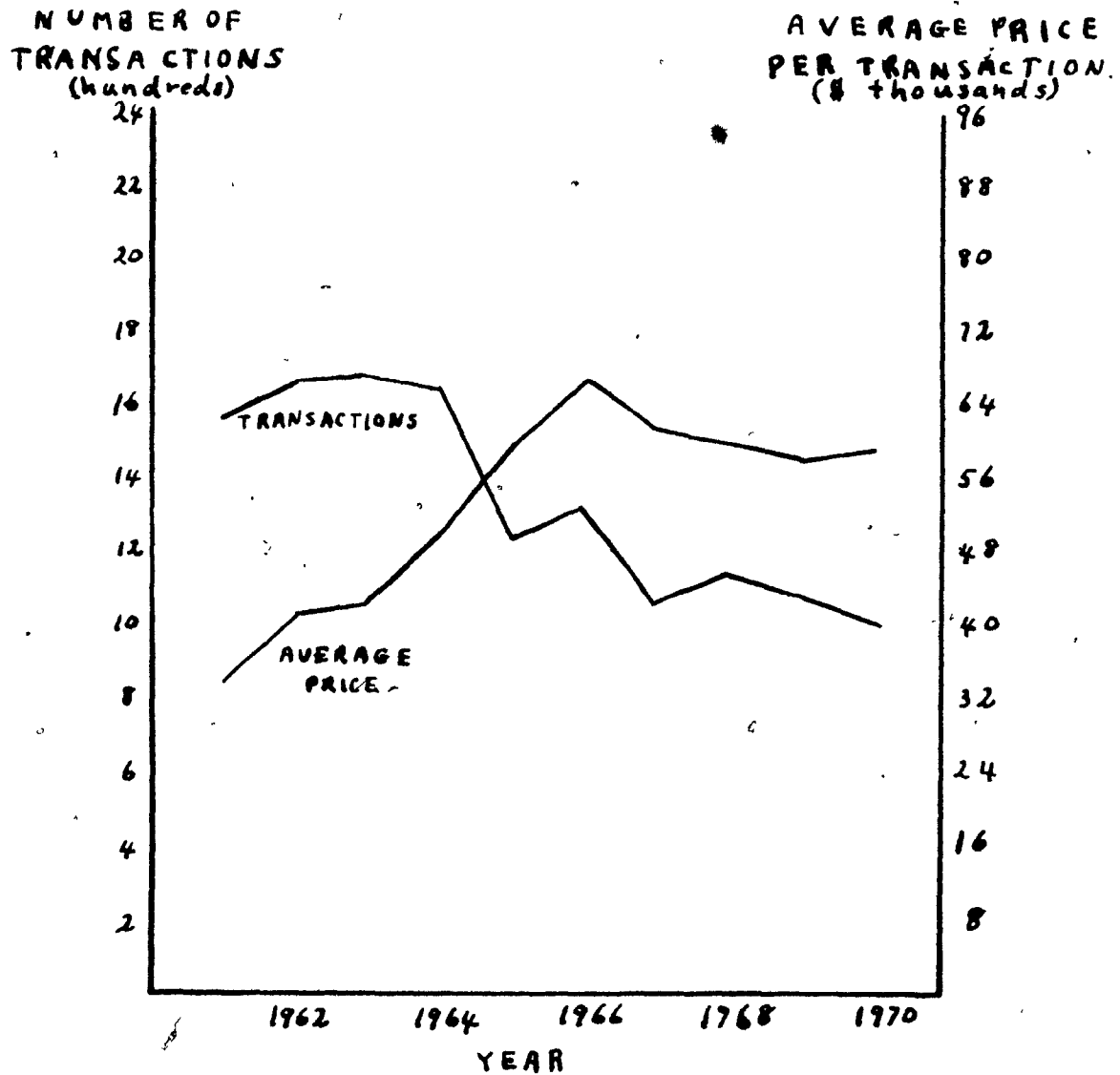


Chart 2B2

Total Number and Average Price of All Types of Real Estate Transactions, Highgate Realities Areas, 1961-70
(Information supplied by the Montreal Real Estate Board.)

**AVERAGE
PRICE
(\$ thousands)**

29

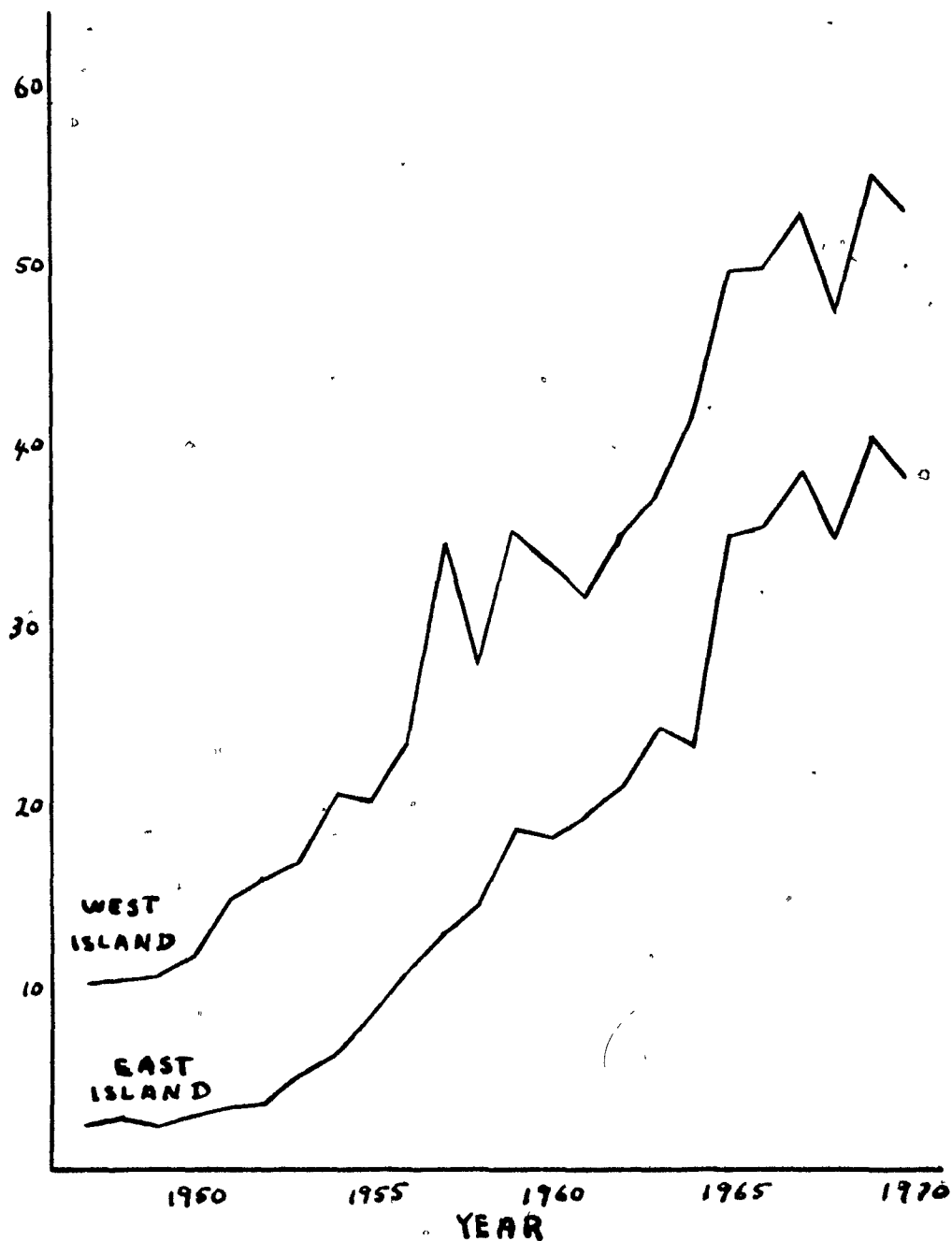


Chart 2C

**Price Fluctuations in East and West (other than
Lakeshore) Areas of the Island of Montreal,
1947-70
(Information supplied by the Montreal Real
Estate Board.)**

interest rate argument fails to explain the relative decline in Montreal compared to other Canadian cities. I could not document the effects of political incidents upon potential buyers, but the effect upon vendors is indicated by the increase in the number of new listings after the F.L.Q. kidnappings in October of 1970. Chart 2D shows that there was a 38.6 per cent increase in the number of new listings with Highgate Realities that month over the mean number of new listings per month for the year. This represents a 44 per cent increase over October, 1969, indicating that the rise was not the result of seasonal variation. For the island as a whole, monthly data were unavailable, but new MLS listings for the second half of 1970 exceeded the second half of 1969 by 13.6 per cent, compared to only a 1 per cent increase in the first half of 1970 over 1969.

Whatever the causes, the housing market in Montreal was a buyers' market throughout the period of my investigation. We will see that this strengthened buyers' bargaining positions with vendors and agents, and weakened vendors' positions. It also increased agents' co-operation with each other to try and find buyers for their many listings.

The slumping market has meant that agents have to work harder to make a sale, and most of them have suffered a drop in income and living standard. Various agents have been affected differently, as is indicated by the following comments:

Jack Fraser. When I started there were many clients and few purchasers--now it's the reversal of that, but I'm only talking about my area.

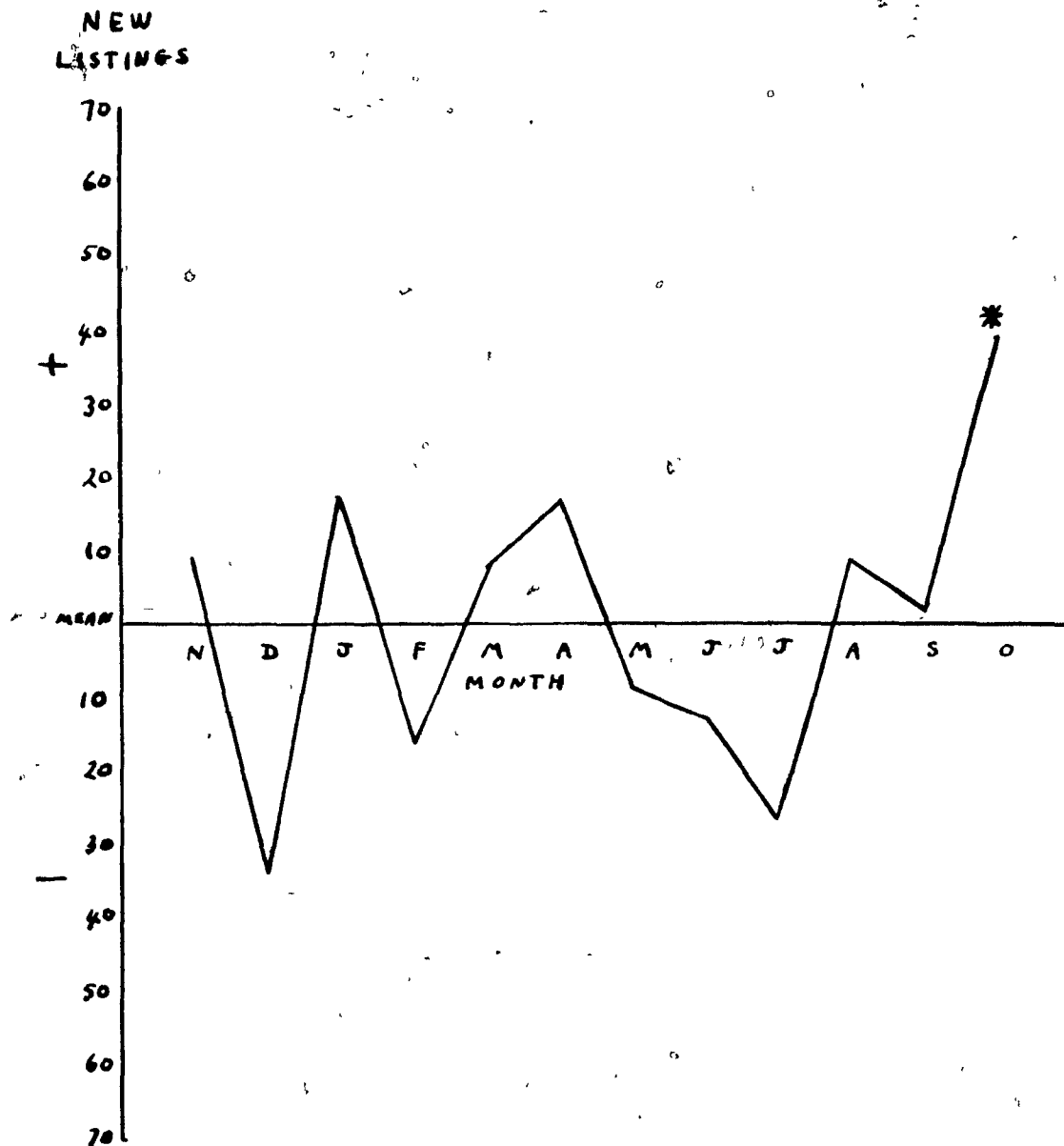


Chart 2D

New Listings at Highgate Realities from November, 1967 to October, 1970, Per centage variation from the mean.
(Information supplied by Highgate Realities Company)

*Represents Separatist Kidnappings.

Joan Reid. The decline in the market has had a great effect on my sales, and most clients these days seem to be lukewarm. They're all looking for a bargain. Of course, there's a certain amount of luck involved in this business. You have to be flukey sometimes. In fact, Peter Green is having his best year ever. My figure is only half that of last year.

Fred Townsend. The market has definitely gone down. It's affected me badly. I lost about five sales because of it last year. I had people ready to buy and then a bomb went off or Johnson (former premier of the province) died, and they decided not to buy. And it took longer to complete the deals that I did have, so this left less time to spend with other clients.

Marie Lacroix. From '62 to '63 when I started out the market was fairly quiet. Then from '64 to '67 it was really moving. It's been going down ever since, although now it's beginning to stabilize.

Interviewer. Have the changes in the market had any effects on you in your work?

Lacroix. No, I wouldn't say so. My sales keep increasing every year.

These comments illustrate the way in which changing market conditions impinge upon the agents. A few of the more successful were less affected than the others. The reasons for this will be discussed in Chapter 6.

Another feature of the real estate market influencing the work world of agents and companies is its seasonal pattern. As Chart 2E shows, more transactions occur during May and in the late summer and early fall than in the winter from December through March. These seasonal fluctuations are due to cultural factors. During the Christmas season people prefer to remain settled. Moving to a new home is most convenient in the spring before the summer vacation or in late summer and early fall to fit in with school opening schedules. Most agents take this seasonal pattern into account when planning their vacations and deciding when to work hardest.

MONTREAL
TRANSACTIONS
(hundreds)

33
H.R. AREA
TRANSACTIONS
(units)

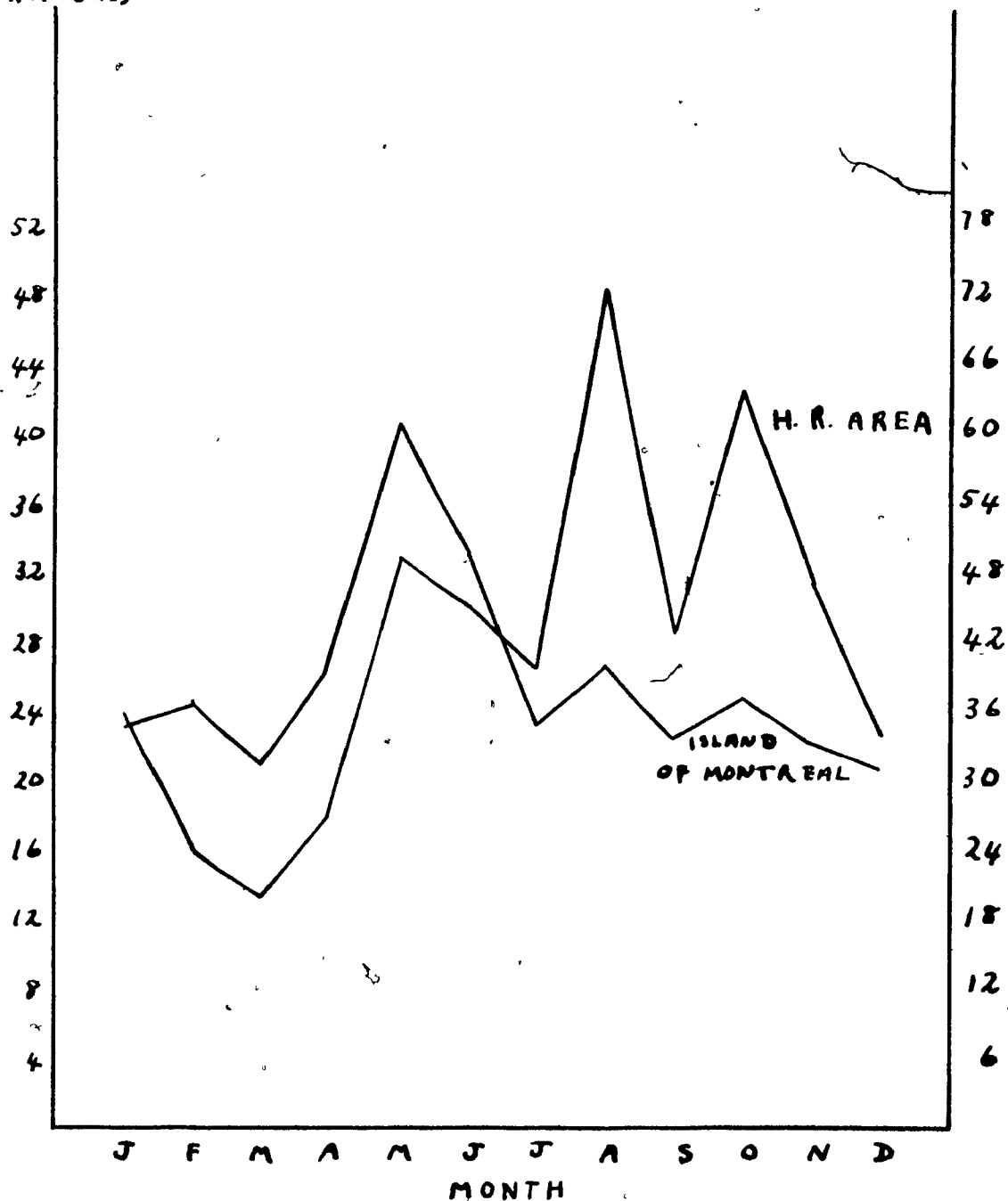


Chart 2E

Seasonal Variation in Total Number of All Types of Housing Transactions: Island of Montreal and Highgate Realities Area, combined monthly totals for 1969 and 1970
(Information supplied by the Montreal Real Estate Board.)

Highgate Realties Company

The descriptions and analyses that constitute the main body of this study are based upon research at a single company in Montreal. Later, an analysis will be made of some aspects of Highgate Realties as an organization.³³ But the company itself is also an important part of its agents' environment. Furthermore, there are particular features of Highgate Realties that differentiate it from many other real estate firms which the reader should take into account in assessing the generalizations of the following chapters. For these reasons, I shall now describe the company.

Highgate Realties is one of the oldest real estate firms in Montreal. It began as a private family business, but became incorporated under Quebec letters patent before the second World War. The families of the founding partners maintain a controlling interest, although the distribution of common value shares has recently been spread to include a number of newer department heads. From humble beginnings, the company has grown to include all branches of real estate. It publicises itself as having the following departments: Investment, Appraisal, Commercial Leasing, Commercial Sales, Consulting Services, Industrial Sales and Leasing, Property Management, and Residential Sales.

The Residential Sales Department deals with the selling and buying of small residential properties, mostly single-unit

³³See Chapters 9 and 10.

owner-occupied dwellings and duplexes. Arranging rentals, managing small properties for absentee owners, and making unofficial appraisals make up a secondary and minor portion of its operations.

The company is governed by an Executive Board, most of the members of which also hold top level management positions. The President and Executive Vice-president of the company, and the heads of each department, including the General Manager of Residential Sales, comprise most of the members of the Board. A few members are retired, while one works as a residential agent. The Manager of the Head Office Branch of Residential Sales (our main focus) is not a Board member.

Highgate Realities relies very much upon its good public image and reputation in the Community. Many of its agents and managers pointed out that I was not studying a "typical" real estate company, and insisted that Highgate Realities is more conservative, more respectable, more professional, and more ethical than most of its competitors.

Personnel Manager You know, this firm is not representative. This is an old established firm. We're proud of our reputation. It's quite a conservative firm, not aggressive like most firms. Although, in the past couple of years we're becoming a bit more progressive ourselves. This is an old established firm which prides itself on its reputation. It's a really prosperous company which has made a lot of money.

Bob Coles (Agent) At Highgate Realities, the client is always right. The company never takes a commission unless the deal is finished. We have a very high code of ethics here, higher than anywhere else, including the trust companies.

Highgate Realities has succeeded in establishing its reputation as a dependable firm that can be trusted by its

clients, as the following comments indicate:

Vendor B I'm sure ~~there~~ are some sharpies in this business. I've no doubt about that. But I certainly have considerable faith in the agents we've dealt with. Yes, I have considerable faith in their ethics. You can feel pretty damn sure about a company like Highgate Realities.

Vendor D Highgate Realities is the biggest company in this area, it's the best. I would recommend the company, they have a lot of nice people over there.

Highgate Realities is much concerned about its reputation, but like any business organization, its first principle is to make money, and a good reputation is itself a means to this end. It is also the basis of the company's high prestige within the real estate world. The company refrains from activities which might taint this image. It will not, for example, allow its agents to take a cut in their commission in order to complete a sale. Nor will it usually risk the adverse publicity of taking a client to court when a deal falls through and the client is legally at fault. On the other hand, the company is not adverse to controlling information and persuading clients in ways not easily attributable to Highgate Realities. As one manager put it:

I was telling you that we're professional here. The customers' needs are taken into account. Of course, only up to a point. After all, it's his decision. We can't guarantee anything. If you looked at five or six houses and then decided on one and asked me if it was good, I'd be a fool not to say yes, even though I'd never buy it for myself.

Most information management occurs at the agent-client level and is beyond direct control by the company.³⁴

³⁴This is discussed in Chapter 4.

The company sometimes deals with other business interests for the exchange of leads. One oil company, for example, would let Highgate Realities know about people who were intending to put their houses on the market in return for information about when new residents would be moving into their houses.

Recently some conflict has developed between the older, more conservative and the newer, more growth-minded managers. The declining market, the increasing competition from the trust companies, and the changing political and cultural conditions of Quebec have strengthened the case of those pressing for changes. The company has been forced to adapt to these environmental changes. It now competes with the trust companies on their own terms. Through Realcare it provides a nation-wide referral service, and it has introduced its own guaranteed purchase plan.³⁵ It is also trying to adapt to rising French-Canadian nationalism in Quebec. It finds that it cannot continue to grow simply by servicing English clients in English areas. It is, therefore, beginning to hire more French and bilingual agents, and to insist that the present employees learn French.

The nature of the company and its reputation has a selective effect upon the kinds of clients it attracts and its recruitment of agents. Middle and upper middle class English-

³⁵If a vendor decides to sell through this plan, the company itself agrees to buy the house for 5 per cent less than the estimated market price after the house has been on the market for 90 days. In effect, the company offers to accept the major share of the risk as an incentive for acquiring the listing.

Canadian clients, and members of other ethnic groups aspiring to higher social status, are more likely than others to deal through Highgate Realities. Many of the agents are themselves of middle and upper middle class background, and they go into selling real estate with long-term career aspirations. Agents of lower class background, particularly those who have had previous experience with less reputation-conscious companies, find that they have to adjust their behaviour and strategies somewhat when they join Highgate Realities Company. Finally, we should note at this point that Highgate, like most real estate firms, pays its agents solely on a commission basis. The agent's income depends upon his success in being involved in sales either as listing agent, selling agent, or both. Income depends upon both the prices at which houses are sold, and the number of sales in which he participates in any given time period. In much of the analysis that follows, we shall be tracing the effects of this commission system upon the role of the real estate agent, and his relationships with his clients, his fellow agents, and the company for which he works.

Conclusion

In this chapter, we have set the scene for our analysis of the occupation and business of residential real estate. The institution of private property and its transfer through the legal contract of sale are "primary" for this analysis, because they create a socio-economic niche for agents. Real estate companies and boards are secondary institutions which have emerged in response to the needs of the occupation itself.

Once constituted, these in turn become important environmental conditions for agents' everyday decision-making and behaviour.

Competition prevades the real estate business, among both companies and agents. We shall see this as a major influence upon the occupation at the micro-level: upon agents' work, their careers, and their relations with clients, colleagues, and owner-managers. Finally, in setting our scene, we need to remember that Highgate Realities agents and their clients were operating in a buyers' market and an unsettled political climate in Montreal during my research. The models developed below may need modification for different market and political conditions.

Given this wider socio-economic environment, the agent is an important unit within the distributive system of residential real estate. We turn now to the main determining social transaction within this system, the sale of a house as a multi-faceted exchange.

Chapter 3

THE SALE OF A HOUSE AS A COMPLEX SOCIAL TRANSACTION

Behind the gross indicators of the housing market in Montreal lies a complex process of individual decision-making and social transactions. The economic trends described in the preceding chapter aggregate the decisions and actions of buyers and sellers, and of the bargaining between them through the interested mediation of real estate agents. We begin our analysis of residential real estate as a socio-economic system by a substantive examination of its basic unit, the sale as a complex social transaction.³⁶ Typically, three main parties take part: a vendor, a purchaser, and a real estate agent; as well as a number of secondary figures such as architects, lawyers, appraisers, mortgage lenders, notaries, and city assessors.³⁷

³⁶This adds a third perspective to viewing the sale as a legal contract or an economic exchange. There is a close overlap here between economic sociology and economics. My concern is to develop a descriptive model of the sale as a complex social transaction. The economist is concerned with price trends in the residential real estate market. The two are closely related, and I hope the housing economist might be interested in the type of analysis presented here.

³⁷The analysis here is confined to the three main parties.

Numerous sales due to occupational and social mobility in modern cities create a socio-economic niche for real estate agents having three main conditions:

- (1) vendors and purchasers are usually amateurs in real estate who look for advice and help from more knowledgeable professionals;
- (2) the sale is a multi-faceted transaction with ownership rights for money price the main items exchanged, but not the only ones;
- (3) the terms of bargaining between buyer and seller are complicated, the "market" is not the sole determinant of price.

This complexity allows much room for manoeuvre by agents as they negotiate between buyers and sellers. To fully appreciate the agent's role and his entrepreneurial career, we need first to understand the sale as a complex social transaction.

The Multi-faceted Nature of the Exchange

As the ideal-typical case, I will assume that each purchaser is buying, and each vendor selling, a single house; that the house does not produce any income for the owner (there are no tenants); and that it is not new, the vendor himself having bought it in the past. These assumptions are realistic for most sales of single-unit dwellings which are generally bought as consumption items. In an empirical study, two economists conclude that owner-occupiers are clearly consumers, and do not regard home ownership as an investment.

Rate of return analysis is a spurious procedure in the

case of owner-occupied housing, because home owners do not appear to take depreciation, interest (as an alternative cost), maintenance costs, and real estate taxes directly into account in their decision to remain in the home ownership submarket. Failure of the home owners to relate all such factors directly to their ownership of housing makes it logically impossible for them to know what rate of return they may be earning from their ownership.³⁸

I will concentrate first upon a single transaction between one buyer and one seller and assume, provisionally, that no real estate agent takes part in the transaction. The first major variation from classical economic markets is that the buyer and seller are both limited in their comparisons. Generally, there are only a few houses of the right type in the right area from which the potential purchaser can choose. (Even in a buyers' market, agents often find it difficult to find houses suited to their client's needs.) Similarly, there is a limited number of interested purchasers for the vendor. The effective market, then, is small; it does not look like the impersonal mechanism of economics text-books.³⁹ Comparisons within this range, of course, do affect prices, and to this extent they are market-determined. But limited comparisons encourage bargaining and the taking into account of factors other than price.

³⁸Alvin E. Coons and Bert J. Glaze, Housing Market Analysis and the Growth of Home Ownership (Columbus, Ohio: University of Ohio Press, 1963), p. 109. A more complex model, incorporating aspects of price determination in income-producing properties, would be needed for explaining price determination of duplexes, triplexes, and single-unit residences bought as investments.

³⁹See, for example, C. L. Allen, The Framework of Price Theory, (Belmont, California: Wadsworth, 1967); and George J. Stigler, The Theory of Price, 3rd ed. (New York: Macmillan, 1966).

The sale of a house for money is part of a wider exchange that involves other things as well. Many transactions in our economy are simple exchanges of a fixed sum of money for a particular good, say a pair of socks. But housing sales are more complex with other commodities exchanged as well. Most importantly, the combination of high interest rates of public institutions, plus the buyers' market in Montreal, has led many vendors to take mortgages at a lower interest rate than that offered by mortgage companies. This adds another counter to the vendor's bargaining position, and bolsters his sales price. At the aggregate level, prices are reinforced, partly through by-passing normal financial channels, and partly through vendors' conceding good mortgage rates and terms. The following excerpt from a sales discussion illustrates this:

Danielle Tarcot. I sold 5347 Durocher for \$15,000 for \$300 down, \$700 at the deed of sale, and the balance of 7 per cent over 20 years. (Going mortgage rates were then 10 per cent.) I was amazed at the favourable terms offered by the vendor.

Joan Reid. This is why business is still good, the vendors are co-operating.

Once the vendor agrees to take a mortgage, a whole new area for bargaining opens up. What percentage of the price is to be paid in cash? What rate of interest is to be charged? What is the term of the mortgage? What is its amortization period? All these questions arise in the negotiations, and the eventual price emerges as one important term in the series. If a buyer is offered a low interest rate, or a long amortization period, he will pay a higher price. If a vendor can get a high cash payment, or a high rate of interest, he will sell for less.

The influence of financing upon price is clearly illustrated in the following example. I asked the agent, Peter Green, if financing terms affected price.

Green. Yes, that's right, particularly for the more sophisticated buyer. Good terms are worth money to the purchaser. I had an extreme example a little while ago. The vendor offered a big mortgage at no interest. But of course the price was high. You have to work out what's the best for your vendor and your client. You have to be able to assess each person's needs. One guy has a problem in that he doesn't want to show a capital gain. Another doesn't want to show a \$5,000 per year income in interest. I sold a house up on Pleasant Hill once where the vendor accepted a 5 per cent rate of interest on a mortgage from the purchaser. That seems pretty good, hey, at a time when the market rate was 7 per cent. But really, what they agreed to do was to add the other 2 per cent onto the price.

This example also shows how tax laws can have an indirect effect upon price through financing.

The exchange is made more complex by other considerations, such as occupancy. The purchaser may want to move in before the present owner intends to move out, or the vendor may hope to have given up responsibility for upkeep and taxes before the purchaser wants to move in. What is to be done is negotiable, and what is decided can affect the other terms of the exchange, including price. The following complex negotiations are described by the selling agent involved:

Yvette Tardiff. They couldn't agree who would pay the heat, the taxes, or how long the amortization period should be. The vendor wanted it to amortize over 20 years, and the buyer over 30 years. Then the buyer refused to pay the taxes. Finally, they agreed on 20 years, but the buyer will pay the taxes. The vendor stays rent-free until May 1st, and he pays for the heat.

The inexperienced agent expressed surprise at the relatively low price here, but note that the vendor also received six months free rent, during which the purchaser would pay the taxes. The

parties must also determine exactly what items are to be included in the purchase price. All sorts of extras: appliances, chandeliers, Persian carpets, electrical devices for opening doors, may or may not be included depending upon the results of the bargaining.⁴⁰

The multi-faceted nature of the exchange allows much flexibility in negotiations, and scope for the entrepreneurial talent of agents as middlemen. Top agents show great ingenuity in juggling the various facets to precipitate agreement between buyers and sellers.

Bargaining Terms of Buyers and Sellers

The sale of a house, then, is multi-faceted with price being the most important, but not the only facet. But what determines the terms of this exchange between the purchaser and the vendor? In the first place, there is a limit beyond which each party is unwilling to go. The vendor refuses to sell below a certain minimum, he would rather keep his house than sell at this price. He does not calculate this lower limit in economic terms.⁴¹ Instead he bases his decision upon a subjective feeling

⁴⁰Problems arise when the new owners move into their homes only to find, for example, that there is a big gap in the kitchen, where the automatic dishwasher they had been looking forward to owning for the first time, has disappeared.

⁴¹That is, in terms of the relative opportunity costs involved in selling for a loss at one time and investing the money, rather than keeping the house in order to try to sell for more at a later time, while paying taxes and upkeep and losing potential interest. This lower limit, combined with concessions in other facets, shore up price levels in this buyers' market in Montreal. In the short-run at least, this prevents the downward price spiral which Fisher suggests characterizes such markets in the United States. This may reflect an attitude toward greater permanence of neighbourhood composition and standards in Canada. Ernest M. Fisher, Urban Real Estate Markets: Characteristics and

of what the house is "really worth", and upon a strong reluctance to sell for less than he paid for it himself. Many vendors set a lowest price which would cover what they paid for the house, the costs of improvements, an amount for appreciation depending upon market conditions, and sometimes an amount to cover the agent's commission. A couple of thousand dollars is usually added on for bargaining.

Vendor C. To decide the listing price I took the original cost of the house and added the cost of all major renovations. I added on to this \$2,000 so that in the event of bargaining I could come down a bit. The listing price is \$42,000, but I expect to get \$40,000 to break even on the original price plus improvements.

Vendor D. We're going to get back what we put in. We paid \$48,500. We're not really trying to make a lot of money on it, but we want to get our own back, we don't need to sell if we can't do that.

Vendor E. I'm charging what I paid for the home, which I think is reasonable, considering everything I put into it.

This lower limit may be flexible. Some vendors are more willing than others to sell for a loss if no offers come at this price.

Vendor A. In terms of dollars, I hope to get back what I put into it. But if I have to sell for less than what I put into the house, I'll just take a licking, that's all.

Of the thirteen vendors interviewed, seven set their prices on a cost plus basis, while the remaining six went more by the state of the market. Most of the latter had owned their houses for a long time and could simply assume that they would

Financing (New York: Columbia University Press, 1951). See the Appendix to this chapter.

get more than the price they paid. These owners were less sure about what price to charge, and many accepted the advice of real estate agents.

Vendor G. We went about it pretty scientifically. We had both the Western Trust and Highgate come in and appraise the place, and they suggested we list at \$55,000, and then come down later. I thought that seemed pretty sound.

Vendor F. The company appraised it, and we discussed it and I agreed with their appraisal. I've come down several times since of course.

Vendor M. (private vendor) The municipal evaluation was \$11,000 first when I bought it. Now it's \$45,000, that's usually around 80 per cent of market value, so the house should be worth \$60,000. I have some friends in the assessment business, and they've helped me fix the price. I paid \$19,500 for the house (in 1951), and I figure it should be worth three times that now. I keep checking the newspaper ads about houses in this area. I think I'm right to ask about \$60,000.

The purchaser has a highest price that he will pay. This depends mainly upon what he can afford, but also partly upon his subjective willingness to give up so much money for a certain kind of house. This limit is also open to change. He may find that he cannot get the house he wants for his original price, and raise his limit accordingly. His absolute limit is set by his financial position, and availability of credit. A man with \$2,000 for a downpayment, and an average income of \$5,000 per year simply cannot get the financing to buy a \$40,000 house.

Given these limits below which the vendor is unwilling to sell, and above which the purchaser is unwilling to buy, the terms of exchange depend upon:

- (1) the relative bargaining positions of each, which in turn depends upon a number of factors;

- (2) the relative bargaining skills of each; and
- (3) the influences of the real estate agent(s) involved in the transaction.

Relative bargaining position depends largely upon the availability of acceptable substitute houses to the purchaser, and alternative buyers to the vendor. This is the way supply and demand affect the transaction. The more houses there are for sale in areas which interest the purchaser, the better is his bargaining position. The more people interested in buying, the stronger is the vendor's position. Supply and demand are objective factors which must be perceived and and interpreted by buyer and seller to be influential.⁴² Supply and demand in turn depend upon a collective definition of the area as a desirable place to live. In the months preceding the last provincial election in Quebec, uncertainty among English-speaking Montrealers about their future in the province interested more people in selling, and less in buying houses in English areas. Supply was greater than demand, buyers were in a strong bargaining position vis-à-vis sellers, and prices tended to fall. They did not drop as drastically as might have been expected, however, because of the lower limit below which many sellers were unwilling to sell, and because of the granting of concessions in other facets of the exchange.

⁴²One of the agents' functions is to provide information about market trends, and thereby make the market a significant factor in the individual's decision.

The effects of supply and demand upon the price of housing are mitigated to a degree greater than for probably any other good, by the heterogeneity of the product. No two houses are exactly alike, and no two are in the same location. This is particularly so in older areas of the city, such as those worked by Highgate agents. There is always a large subjective element involved in considering the worth of a house, the same house being worth more to one person than to another. If a vendor finds a purchaser who really wants his particular house more than any other, his bargaining strength is increased accordingly. A Highgate agent gives an example.

Marie Lacroix. I sold 48 West Avenue. I eventually got \$44,500, the full asking price. The house had actually been taken off the market, but I knew it was the sort of house my clients were interested in. I had received the lead from another office. I eventually showed my clients the house, and they made a good offer of \$38,500, but the owners said they weren't interested in selling for less than the asking price. It had been a good offer too. So the client gave up and I took them out to see some other houses. I knew they were buyers and I didn't want to let them get away. Just after we started the wife turned to her husband and said: "You know, we really liked that one, why don't we buy it?" So they made the offer for the full amount, and there wasn't very much the vendor could do then!

This example also shows how the heterogeneity increases the agents' room for manoeuvre. Success depends largely upon their ability to match up particular clients with particular houses. Agents appreciate the idiosyncratic element, and are sometimes surprised by purchasers' decisions which are based upon different subjective criteria from their own. Some houses are so different from others that they are unable to estimate their value because there can be no meaningful comparisons.

After we had inspected one expensive house which was full of all sorts of electrical devices and which had the bedrooms in the basement, I asked an agent about it:

Interviewer: How do you go about evaluating a house like that?

Nancy King: Oh, it's impossible. All you do is list the house for whatever the owner asks, and then tell him about any offers you might receive. There's nothing to compare it with.

Time considerations also affect relative bargaining positions. If the vendor is in a hurry to sell, he might accept a low offer. If he has plenty of time, he can afford to reject it, and hope to get a better offer later. It depends very much upon his reason for selling. A vendor being transferred to another city or country is in a greater hurry than one looking for a larger or smaller house in the same area to better accommodate the changing size of his family. Time is a resource that can be invested to try and get a higher price. Similarly, if the purchaser is in a hurry to buy, his bargaining position is weaker than if he has plenty of time. This is why agents like dealing with out-of-town clients. Since they have nowhere to stay in their new city, they are more anxious to buy quickly than local residents who already have a house or an apartment.

We saw above that financial considerations are important in determining the upper and lower limits within which bargaining proceeds. His overall financial position also affects the willingness of the vendor to accept a low offer at any time. The extreme example is one who has gone bankrupt. He must accept the first offer he gets, no matter how low. The vendor must also consider the financial costs of keeping his house. If it is

vacant, he has to pay taxes and upkeep without deriving any benefits, and pay for his new house or apartment as well. He might be better off to sell for less immediately than later, because in the meantime he could save on his costs and gain interest on his money. As the owner of a vacant house, his bargaining position is weaker. Agents include all vacant houses in a special category, Must Be Sold (MBS) listings, where owners are particularly anxious to sell. Agents take advantage of this to push for quick sales.

More general financial matters also influence prices through bargaining strength. City assessment and tax rates together determine the amount of taxes that have to be paid in a year. Where taxes are particularly high for an area, or for a particular house because of unusually high assessment, the vendor may lower his price to compete favourably with a comparable house in an area where taxes are lower. If higher taxes mean better services, then this influence could be counter-balanced. The best example of this is school services. Many buyers are willing to pay higher taxes and higher prices in order to send their children to "good" schools. The cost of money in the larger economy, expressed mainly as interest rates and terms of mortgage lending, also affects the price that buyers are able to pay. As we have seen, financing usually enters into the multi-faceted nature of the exchange in a buyers' market.

The influences upon bargaining strength can be summarized in slightly different terms. The bargaining position of the vendor depends upon the costs to him as he perceives it, of not selling

at a particular time: a) the perceived probability that he will not find another buyer willing to pay more, b) the financial costs of keeping the house, c) the consequences to him if he does not get the money at that time. The bargaining position of the purchaser depends upon his perceived costs of not buying at that time: a) the perceived probability that he will not find another house that is suitable at a comparable price, b) the possibility that he will lose that particular house, if he likes it more than any other he has seen, and c) the inconvenience to him of not buying. The greater the costs to the vendor of not selling, the stronger the bargaining position of the purchaser. The greater the costs to the purchaser of not buying, the stronger the bargaining position of the vendor. Together, these two bargaining positions largely determine price and other terms, whenever negotiations are concluded by a sale.

The Social-Psychology of the Sale and the Agent's Influence

But objective bargaining positions are not the sole determinants of real estate transactions. The complexity of the exchange, and its emotional importance to most home-owners, give rise to a social-psychology of buying and selling houses. Where a person lives, what kind of house he wants, how much he will pay, are subjective opinions that other people can influence. The extent to which a party to a transaction recognizes this and attempts to influence others in his favour, constitute his degree of sophistication in real estate.

Buyers and sellers vary from the sophisticated speculator

to the naive stranger to the system. The following cases illustrate what effects this difference can have.

Case 3A. (Sophisticated vendor.) In this case, the vendor outsmarted not only the purchaser, but also one of the agents involved. He sold his house twice, and was able to keep the whole of a large deposit when the first deal fell through and he had to pay no commission (because it was not written into the listing contract). The sales manager and agents discussed it as follows:

Jim Young (Sales Manager). I've been keeping our discussion of this sale until the end, 32 Ridge Heights. I've never seen Peter worn out before, but he was worn out dealing with that Mr. Leonard.

Peter Green. (The second, successful, selling agent) Well, he got all he wanted. It went for \$153,000, with a \$20,000 deposit, and a good rate on his mortgage.

Joan Reid. Gosh, a \$20,000 deposit! You don't see too many of those. And did he get his damages clause, Pete?

Green. Yes, for \$20,000.

Reid. And you got that extra \$3,000 for him, how did you manage that, Peter?

Green. The buyer was over a barrel. He knew he'd have to pay it to get the house.

Reid. And did Leonard get that extra \$17,000 when the first client didn't buy?

Young. Yes, he's a sophisticated trader. You really have to be on your toes when you deal with a guy like that. We got nothing on that deposit, because we didn't have it in the contract, and look at that money you spent on phone calls to Mexico City, Nancy! (The first, unsuccessful, selling agent.)

John Mason. He should have to pay. You should have told him that, Nancy.

Nancy King. Well, you don't talk to vendors like that, and you know it.

Case 3B. (Naive client.) The agents were discussing possible conflict between the clients' interests and those of agents in completing sales. One of them illustrated this by a case he had heard of where a client of another agency "definitely paid too

much for his house". The client had just come from England where they are not used to bargaining to the same extent. On the advice of the agent, he offered the full asking price which, of course, was accepted.

Both of these cases involve real estate agents. Indeed in Case 3A part of Leonard's sophistication was his choice of Highgate's best agent to handle his listing. In Case 3B the client naively followed the agent's advice without realizing the latter's main concern about making the sale, not serving the client.

So far, I have mentioned the influence of this third party only incidentally. This is highly unrealistic, because the agent influences nearly all his client's decisions. The many facets of the exchange, and the openness of clients to persuasion, give the agents much room for expertise and manoeuvrability in negotiations. The next chapter deals with the agent's role as middleman in the system, but a few comments about his influence upon the sale are appropriate here.

A house is an important "object", in Mead's sense,⁴³ with strong emotional connotations for buyers and sellers. Agents affect decisions about relative merits of different houses, about location, about financing, and about price. In some cases, for example, the agent persuades his client to raise the price that he is willing to pay by showing him houses in a higher price range that he knows the client will like. In

⁴³George Herbert Mead, Mind, Self, and Society (Chicago: University of Chicago Press, 1934), pp. 77 - 80.

a buyers' market, the agent uses the market as a persuasive force to deal with vendors, as the following examples show:

Example 1. Joan Reid (agent). The woman really needed to sell and I got hold of a man who was looking for a bargain sale. I went to the woman, and told her straight that in a bad market you must be prepared to give a bargain. She made a counter-offer of \$50,000 to his bid of \$48,000. I went home and phoned him, but he said that he wasn't interested in any counter-offers. I went back to the woman and had a long honest talk with her about how hard it is to sell in today's market. Eventually, she said: "Do you still have the cheque there?" I said "Yes," and she decided to take it.

Example 2. Vendor I. We paid \$31,000 for this house, and we put in \$3 to \$4,000 worth of improvements. So we thought that we would ask for \$35,000. She (the listing agent) said that we probably wouldn't get more than \$25,000 for it. She really got angry when we wouldn't go for that. We finally set it at \$29,000. She wouldn't go over \$30,000, otherwise people would be discouraged from looking at it. She also said that if people wanted the appliances, the stove, the fridge, the washing machine thrown in for \$29,000 that she wouldn't lose a sale over the appliances, but I don't look at it that way.

The mere presence of a middleman has an effect upon price in another way as well. Because the vendor has contracted to pay the agent a commission of 5 per cent or 6 per cent of his selling price, he tries to get a higher price to off-set the commission. Vendors often give open listings on the understanding that the price to be asked by the agent be a couple of thousand dollars more than if the vendor sell it directly. The commission is a cost to the vendor, and it has the same effect in determining the minimum price that he will accept as other costs. I will illustrate this by a hypothetical example.

Assume a vendor who has decided to re-sell a house that he bought recently, and who is willing merely to get his money back in the sale. If he paid \$20,000 for the house, he will have

to pay \$1,000 commission on an exclusive basis. In order not to lose on the transaction, he will have to get an offer of \$21,000 to satisfy his own minimum criterion for selling. The presence of the agent exerts an inflationary pressure upon the price.⁴⁴ When the next owner decides to sell, he will have to get \$22,050 to cover his costs. Although it is the vendor who pays the real estate broker, in effect it is often the buyer who pays through a higher price. More precisely, the question of who will pay what share of the commission enters implicitly into the bargaining between vendor and purchaser.⁴⁵

The Sale as a Process

Three or four⁴⁶ main parties participate in the bargaining, decision-making, and change of opinion during the sales negotiations. The sale process occurs over time, which further complicates the transaction and increases the room for manoeuvre by the agent.

The process culminates in the presenting of offers by potential purchasers, and counter-offers by vendors. The agent or agents do much running back and forth between client and vendor. The agent's skill in information-management, manner of

⁴⁴Robert Paine suggests that this inflationary pressure may be a general characteristic of middlemen. (Personal communication).

⁴⁵Implicitly, because they do not conceptualize it this way.

⁴⁶There may be only one agent involved as both listing and selling agent, or there may be two different agents. The implications of this are discussed in the next chapter.

presentation, and thinking of new compromise possibilities, is crucial at this stage. The more skillfull the agent or agents, the more likely it is that the two parties will agree to terms and the sale will occur. The following example of a successful attempt at negotiation shows the importance of the time dimension:

Example 3. (Successful Negotiation)

Verna Anderson. Well, I got the client from an ad in the newspaper. He made a silly offer, and the vendor made a silly counter-offer. He wanted to offer \$23,000 but I talked him up to \$24,000 which was still too low (for a house listed at \$33,000). Danielle (the listing agent) and I brought the offer, and then the vendor made a counter-offer of \$30,000. Well, I thought it was all over then, but I brought it back to the client. The next day he made another offer of \$27,000 that was accepted.

Here, if the client had made the initial low offer directly, the vendor undoubtedly would have rejected it out of hand and ceased negotiation. The agents gave each side time to adjust, save face, reconsider, and continue the process of offers and counter-offers that culminated in the sale.

Before proceeding to focus explicitly upon the agent's role in this process, I will show how the complete social transaction is further complicated by a cultural aspect. The economic concepts of "price" and "market" impersonalize the bargaining struggle for buyers and sellers, and become a moral and persuasive force for agents.

The Market as Conceptual Frame and Moral Force

Pricing of owner-occupied houses depends upon the relative bargaining strength of the two parties concerning not only price, but also the other facets of the exchange.

Bargaining strength in turn depends upon: comparative availability of alternative houses for the buyer and purchasers for the vendor, the amount of time that each can afford to shop around for houses or buyers, the financial needs of each and the availability of institutional financing, the bargaining skills and sophistication of each party, and the skill and influence of the real estate agent or agents involved in the transaction. These substantive findings show that "the market" is not the sole determinant of price. But agents do use the language of the market in their daily transactions, which takes on a moral significance to explain and justify their behaviour. Similarly for buyer and seller the personal bargaining struggle is made more comfortable by explaining it as the working of an impersonal market mechanism.

Formally, market value is given by the price at which supply and demand come into equilibrium. But the housing market in Montreal has been characterized recently by a chronic condition of supply exceeding demand with price stagnant. What, then, is the meaning of the term "market value" to real estate agents? It is used in two senses:

- (1) the value of a house is simply the price that somebody will pay for it;

- (2) since the price that somebody will pay cannot be ascertained until after the sale is completed, the agents need a working estimate of this price. They manage this by making comparisons with recent sales in the area. Market value then becomes the average price of recent sales.

of comparable houses in the area. If the house sells for more or less than its estimated market price, its price is said to differ from its market value. Some agents, and many owners, have a different idea of value. They believe that value is something intrinsic to the house itself, that it is a question of worth. Depending upon market conditions, the vendor may or may not receive what his house is "really worth". This confusion over the notion of value is expressed in the following discussion among agents concerning municipal assessments for tax purposes.

John Neal. There's a city by-law that says the assessed value should be the real value.

Joan Reid. What do you mean by real value, bricks and mortar?

George Lidstone. What you think it's worth, I think.

Neal. (Writes on the black-board.) WHAT SOMEONE WILL

PAY. (Says) It's the same as the market value.

Reid. I don't think that is the real value.

Neal. That's what the city says.

Reid. But that's so flukey! You never know, it's just the way the ball bounces.

Teresa Verge. How do you assess the price of a house that hasn't been sold in the last ten or fifteen years?

Neal. You have to go by the price in the area.

This controversy about the true meaning of the term "value" is reminiscent of a long-standing disagreement between bourgeois economists, who argue for the market, and Marxist economists, who argue for the labour-power expended in producing the commodity. The correct conclusion, I believe, is that, as the term itself implies, the meaning of "value" is a subjective matter upon which universal opinion is highly unlikely. What is important here is that these subjective opinions can become

2

objectified through collective discussion and activity.⁴⁷ The idea of market value comes to take on an independent moral force which real estate agents and clients use in explaining and justifying their behaviour. It becomes an ideology.

The notion of market not only explains price levels for the realtors, but is also used to justify pressuring vendors into lowering prices and potential purchasers into buying at "bargain prices". The following comments illustrate how the market is used as justification:

Manager. (to a vendor) I think that \$80,000 is a good offer for this market. I would recommend that you sell it now, my conscience is very clear about that. Let me tell you something about the situation in Montreal. We had another house which we sold for \$80,000. Normally it would be sold for \$100,000. It's the market that determines the price.

Agent. (to a potential purchaser) If you bid \$33,000 then it depends upon the cash payment. \$33,000 is the asking price. The bottom of the market has been reached and prices are going up again, a lot of people are buying now.

Agent. (to other agents) We decided that I should take 18 Kirkside in spite of the high price being asked by the owner of \$125,000 as compared to our market analysis of \$85 to \$90,000. At least we have that to fall back on if they don't get any action.

The moral force of the market becomes so great in some cases that agents will advise their clients against selling at a price that is well below their market estimate, and will

⁴⁷The classic statement of the growth of ideas as moral forces out of the collective activities of human beings, is Emile Durkheim, The Elementary Forms of the Religious Life (London: Allen and Unwin, 1915).

feel guilty about deals in which their vendor has sold for a very low price or their client has bought for a very high price. The feeling develops that the market level is the fair level. The following conversation about a change in mortgage rates illustrates this market mentality:

Jim Young. One of the trust companies has just reduced its first mortgage rate to 10 per cent, so things are looking better.

Frank Martin. I'm signing up a mortgage today at the old rate.

Young. It might be a good idea for you to check with the company first. They might prefer to sign it up at the market rate. They might think that: "If this is the market rate, it's not fair to sign it up higher."

The abstract notion of market value defuses a bargaining struggle between two parties in the immediate context of a sale, and explains it impersonally in terms of a mechanism over which neither has control and for which neither is held responsible. What, after all, is the housing market? Sociologically, it is a system of property exchange through negatively reciprocal bargaining in which an amount of money (price) is one of the main counters exchanged. In practice, the term "market" covers many aspects of this exchange system, as is clear from re-phrasing some of the compound terms in which it appears. Examples are:

- Rising market - rising prices
- Slow market - few transactions per unit period
- Buyers' market - more sellers than buyers
- Local market - area in which trading occurs
- Off-market - no longer for sale

- Market value - a. price at which supply equals demand
 b. average price of comparable houses
 c. price at which a house sells

The common denominator in all these expressions is simply their reference to some aspect of the system whereby houses are distributed in a capitalist society. That this is a market rather than a gift or redistributive exchange system⁴⁸ means that it has the following characteristics:

- (a) each contract is conceived as isolated and anonymous, therefore each party feels free to maximize his gains at the expense of the other;
- (b) the parties attempt to do this peacefully through bargaining;
- (c) each party takes into account the offerings of other potential trading partners.

The implications of (a) and (b) are that there must be some social mechanism for ensuring the peace and enforcing the agreed upon terms of the exchange, if the system is to be viable. We have seen that this mechanism is the legal system governing private property in Quebec. The implications of (c) are that there must be some mechanism whereby buyers and sellers are kept informed about the behaviour of other buyers and sellers. For the residential housing market, such information is provided by

⁴⁸For classifications of different types of economic exchange systems, see Karl Polanyi et.al., ed., Trade and Market in the Early Empires (Glencoe, Illinois: The Free Press, 1957), particularly the Preface; and Marshall Sahlins, "On the Sociology of Primitive Exchange", in The Relevance of Models in Social Anthropology, A.S.A. Monographs, (New York: Praeger, 1965).

real estate brokers and agents, by the Montreal Real Estate Board in its MLS system, by registry offices, by market survey centres, and in newspaper reports and advertisements.

It follows that where there are but few transactions, or where information is unavailable about transactions, there is at best only a rudimentary market. This is often the case for investment properties, and also for the country properties handled by Highgate Realities. As the following discussion indicates, the availability of comparisons influences agents' strategies, in this instance strategies towards highly priced listings.

Paula Hurst. (country property agent) If a country girl might interject, I'd like to ask why it is that you don't turn overpriced listings down. We do that up north, and often find that they eventually come back to us.

Jim Young. Well, we've found in the past that it's surprising how the vendor can come down when he's serviced by a good agent. We have case after case. Sometimes we have refused listings, only to find ourselves selling the house and having someone else get the listing commission.

Hurst. I guess the thing is that, compared to up north, you have a market and we don't.

What Hurst means is that the city vendor learns that his potential buyers are able to find comparable houses for lower prices from other vendors, and he is forced to lower his price to make a sale. In this way, the market affects his price. But, because other factors (financing, occupancy, time, heterogeneity) also affect his price, we could call it a quasi-market. The country vendor cannot be educated in this way, because there are few comparable transactions. When he does revise his price it is more because his property has failed to attract a buyer for a long time, than because he has gained

knowledge about his competitors. A well-developed market system exists only where all the conditions mentioned above have been met.

Conclusion

Legal definitions of private property ownership and its transfer, together with a high rate of social mobility, give rise to numerous sales of owner-occupied houses in modern cities. These sales are not only legal contracts and economic exchanges, but also complex social transactions, which involve buyers and sellers who are amateurs, but who have large material and emotional stakes in the transactions. Because there are many facets to the exchange, money price depends partly upon concessions in other facets. The specific terms of any one exchange emerge out of a number of social and psychological factors: lower and upper price limits of sellers and buyers, concessions each is able to make, bargaining skill of each, and the influences of real estate agents upon the decision-making processes of their clients.

Since they find it inconvenient and often confusing to buy and sell on their own, vendors and purchasers usually work through real estate firms on a commission basis. As amateurs, clients remain typically vulnerable, and open to persuasion by agents in the numerous decisions and bargainings that sales entail. Agents' success depends upon their ability to service vendors and purchasers satisfactorily, and to negotiate sales between them.

For a market system to flourish, two kinds of social mechanism are essential. The first is some means for keeping peace between partners and for enforcing the agreements they reach. For housing, this is provided by the legal institution of private property and its exchange. The other essential mechanism is some means of communicating information so that buyers and sellers can take the availability of alternatives into account in their dealing with each other. Real estate agents and brokers provide the major channel.

Other mechanisms arise in well-developed market systems which, although not essential, contribute toward making them operate more efficiently. One of these has to do with problems of inter-action between buyer and seller. Since each tries to get the better of the other, one or both may concede more than he had intended and lose face in the transaction. The bargaining situation is delicate, emotions are easily aroused, and sales that would benefit both sides can be aborted through the interference of personal animosities. In the residential housing market, the agent acts as a specialized middleman to facilitate bargaining between buyer and seller. This role is analyzed in the next chapter; our focus shifts from the sale itself to the role of the agent as middleman.

Appendix to Chapters 2 and 3

BEHAVIOUR IN A BUYERS' MARKET FOR
OWNER-OCCUPIED HOUSING IN ENGLISH MONTREAL⁴⁹

I have suggested that economic sociology might contribute to economics in terms of the basic assumptions to be built into economic performance models. Based on the findings of this chapter, (Chapter 3) I shall here propose a tentative performance model to help explain the real estate market (as described in Chapter 2) in Highgate Realities' areas from 1965 to 1970.⁵⁰

To simplify matters, assume all the conditions of pure competition with one exception. Vendors have one quirk which differentiates them from economic man: for sentimental reasons, they are unwilling to sell for less than they paid for their houses. In the model, it is assumed that all vendors bought their houses at Time 1. To simplify further, assume a case of comparative statics with two time periods, Time 1 and Time 2. Also, assume that the supply curve is constant over those periods.

⁴⁹Fisher's classic statement on buyers' markets for owner-occupied housing predicts that prices will drop rapidly as vendors are forced to make concessions, and buyers wait for further declines thus reinforcing the tendency. This Appendix attempts to explain why this did not happen in Montreal in the late 1960's. It is possible that if demand continues to be slack vendors will eventually agree to sell for less, and prices will decline in the way Fisher predicted. Another feature of the market in Montreal, consistent with Fisher's predictions, was that some vendors decided to rent their houses, hoping for a pick-up in demand later. See Ernest M. Fisher, Urban Real Estate Markets: Characteristics and Financing (New York: Columbia University Press, 1951).

⁵⁰I am not an expert in economics. The simple model presented here requires (and portrays) only an elementary knowledge

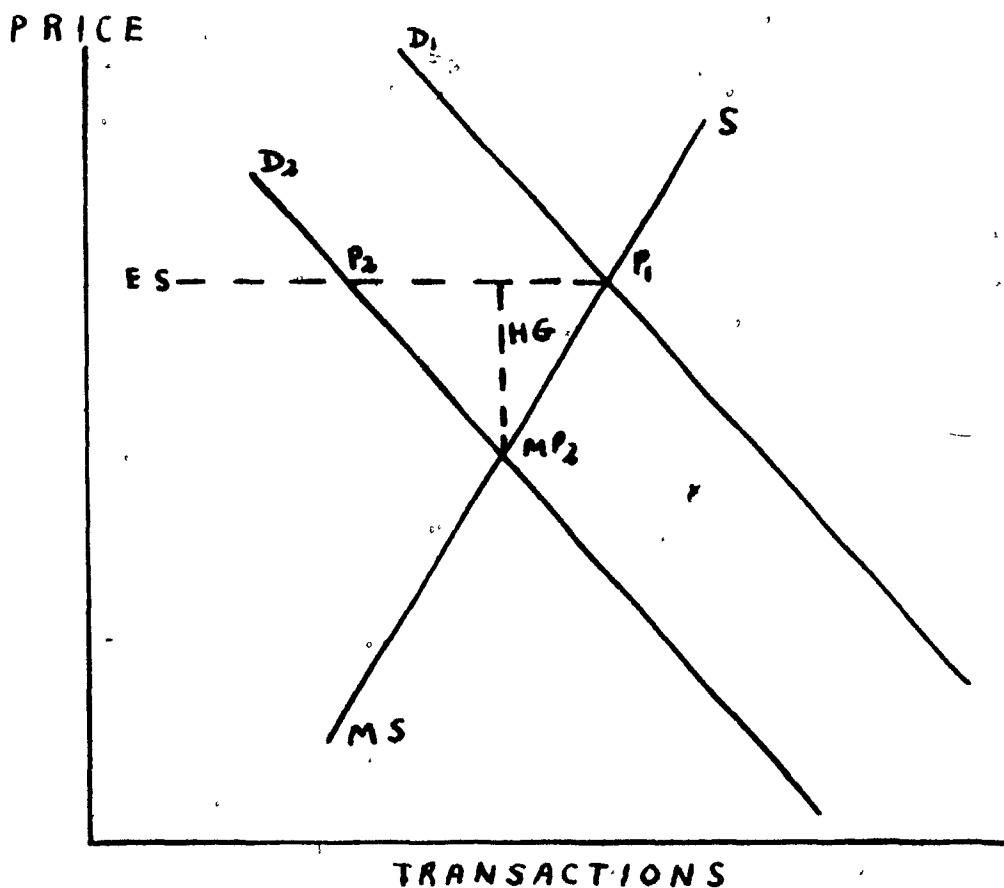


Diagram 3A

Market Behaviour in Early Stages
of a Buyers' Market

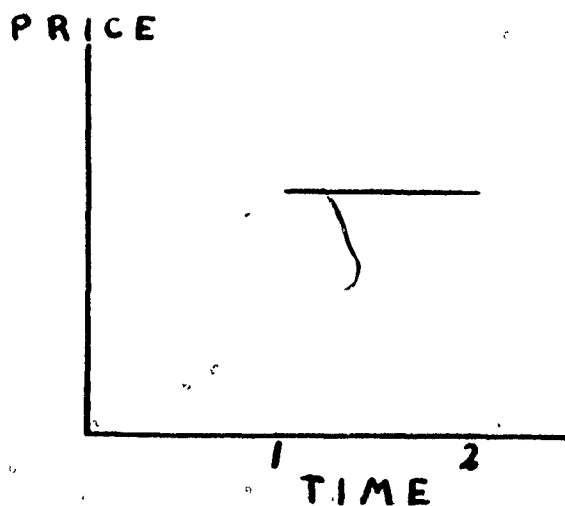


Diagram 3B

Price over time

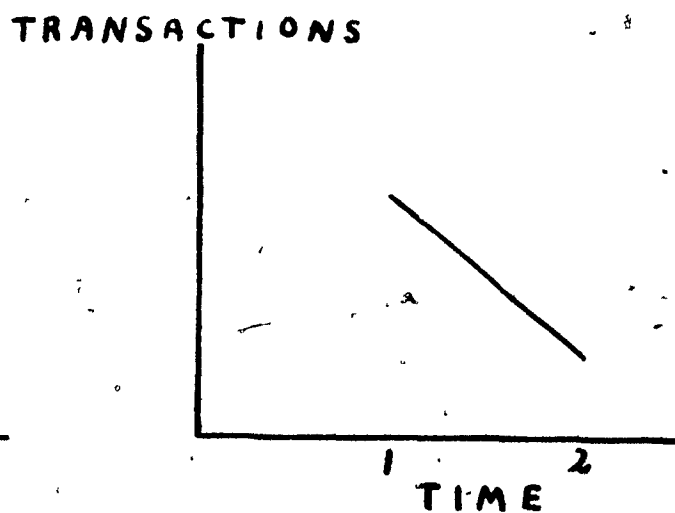


Diagram 3C

Transactions over
time

Where demand increases, the behaviour of the market is similar to that of pure competition. Since supply is highly inelastic, an increase in demand produces a sharp increase in price with only a small increase in supply.

The interesting case is where demand decreases, but vendors refuse to sell for lower prices. Although the supply of houses on the market (MS) remains constant, the effective supply (ES) at Time 2 is set by the price level at Time 1 (P_1), (See diagram 3a). As D decreases from D_1 to D_2 , P remains constant at P_2 (rather than falls to MP_2 as it would under pure competition), and there is a decline in number of transactions. These effects are shown in diagrams 3b and 3c. These diagrams give a fair prediction of the behaviour of the real estate market in Highgate Realities areas from 1965 to 1970,⁵¹ (See Diagram 2B2, Chapter 2).

Two further points can be made from the model. The portion of the supply curve MP_2P_1 represents vendors who would like to sell at Time 2, but are unwilling to do so at the price, MP_2 .⁵² The vertical distance from ESP_2P_1 to MP_2 represents a

of price theory.

⁵¹The price level actually declined slightly in this period. The model unrealistically assumes that all vendors bought their houses at Time 1. Many bought earlier when prices were lower, and were therefore willing to sell for less at Time 2. These considerations suggest the following hypothesis: when a market for owner-occupied houses swings from a sellers' to a buyers' market, the rate of price decline is directly proportional to the average length of time that vendors have owned their houses.

⁵²Under pure competition, these vendors would remove their houses from the market. Empirically, they leave them on the market but have trouble selling them.

"holdout gap " (HG). Many vendors would like to sell but are holding out for the difference in price between P_2 and MP_2 .

Empirically, this helps explain two other facts about the buyers' market in which Highgate agents were operating. The first is that, although the number of transactions was actually falling, the number of houses for sale in the area was increasing.⁵³ The second is that the length of time required to sell a house after it had been put on the market increased sharply.⁵⁴ Many vendors put their houses "on the market", but were unwilling to sell them for the price they were offered. (They were unwilling to sell for the "true" market price under pure competition.) Many houses were chronically up for sale.

⁵³As indexed by number of For Sale signs in the area. I do not have exact figures on this increase, but agents, local residents and local newspapers all agreed that this was the case.

⁵⁴Agents were adamant that this was the outstanding difference from the early 1960's.

Chapter 4

THE RESIDENTIAL REAL ESTATE AGENT I:

THE AGENT AS MIDDLEMAN

The sale is the determining unit within residential real estate conceived as a socio-economic system. Numerous sales transactions create a need which is filled by real estate agents. Agents provide three main services: they find houses for prospective purchasers; they find buyers for prospective vendors; and they negotiate the terms of exchange between the two parties. In these tasks, they are not merely passive go-betweens, but actively affect the decisions and transactions that occur.

This chapter focuses upon three important effects of the agent as middleman:

- (1) he provides short-term solidarity between buyer and seller;
- (2) he plays upon his position to manipulate his clients' decisions;
- (3) his behaviour within this economic system has wider social effects as a reinforcer of trends in neighbourhood formation.

Real estate transactions are instances of negative reciprocity,⁵⁵ in the sense that two parties are opposed to each

⁵⁵See Marshall Sahlins, "On the Sociology of Primitive Exchange," in The Relevance of Models in Social Anthropology, A.S.A. Monographs, (New York: Praeger, 1965).

other, both attempting to get the best of the bargaining at the other's expense. On the other hand, the two parties need each other as the source of the goods or money they desire. Bargaining develops over how much is to be given up by each. This type of transaction is susceptible to disruption, because emotions are easily aroused, particularly in face-to-face situations.⁵⁶ Concerns about saving face come to interfere with the efficiency of the economic transaction. This is seen in peasant bartering which is marked by long periods of bitter bargaining and much cheating by the parties involved.⁵⁷ In modern industrial economies some form of institutionalized procedure generally expedites the process. For most goods, large-scale retailers sell their products at fixed prices. Price changes occur at intervals in response to cost and competitive pressures, rather than through the inefficient process of higgling.

Housing, however, is special. It is expensive, immovable, and is usually resold a number of times. Except for new houses sold by builders, most are transferred from one family to another. Vendors lack the bargaining power to fix their prices. They are too dependent upon selling their single product,

⁵⁶For a discussion of the social psychology of face in human interaction, see Erving Goffman, Interaction Ritual (New York: Doubleday Anchor, 1967), particularly pp. 5 - 45. Goffman defines face as follows:

The term face may be defined as the positive social value a person effectively claims for himself by the line others assume he has taken during a particular contact. Face is an image of self delineated in terms of approved social attributes. (p. 5)

⁵⁷See Margaret Fisher Katzen, "The Jamaican Country Higgler," Social and Economic Studies, 8, 1959.

and too susceptible to competition from other vendors. Where there are many buyers and sellers, and both sides have many competitors, there is likely to be bargaining over price, and over any other terms of exchange involved in the transaction. But face-to-face bargaining leads to much emotional feeling on both sides, and, unlike the peasant marketer, the vendor or buyer has too much invested in a single transaction to compensate himself for a big loss. He is at a further disadvantage in that he is a one-time amateur unaccustomed to hard bargaining. Such situations are widespread and recurrent, and are therefore conducive to the development of a social role as negotiator between the two main parties. A socio-economic niche is created which is filled by the real estate agent as middleman.

The Agent as Middleman

Social anthropologists have discussed middlemen who act as cultural brokers between two societies, or between a larger society and some smaller community within it. These middlemen interpret the values of each culture for the other. Between societies, the communicative function of the role is paramount: to succeed, the middleman "... must persuade the two sides that this is a situation in which compromise can be made."⁵⁸ Between a dominant society and a sub-culture within it, the middleman is a purveyor of rewards which are not his own choosing. Clients are attracted to him because they believe him able to influence

⁵⁸F.G. Bailey, Strategems and Spoils (Oxford: Blackwell, 1969), p. 167.

persons who control favours (rewards).⁵⁹

The real estate agent, on the other hand, negotiates between two strangers within a single complex society, rather than between cultures, and he aims to conclude one transaction at a time in a sale rather than to maintain negotiations indefinitely. But despite these situational differences, the structural features of the role are similar. The agent is the purveyor of rewards (houses and money payments) which are not his own; he attracts clients who believe him to have access to influence over persons who control these rewards; and he aims to effect compromises between the two parties.

The primary function of the real estate middleman is to permit or improve upon the efficiency with which rewards are exchanged between the two main parties to the transaction. Techniques of information management and processing are important means toward this end. The middleman is not a passive go-between. His position allows him a certain area of freedom for skill and manipulation in negotiating. He is able to play upon this position to influence the parties into making exchanges that they would not otherwise make, either by deception or (more often) by influencing them to re-define their own interests.⁶⁰ From the

⁵⁹Robert Paine uses the term "values," but I believe "rewards" is more general and leads to less confusion with other uses of the term "values." See Robert Paine, Patronage, Brokerage, and Clientship in the Arctic (St. John's, Newfoundland: Institute of Social and Economic Research, n.d.).

⁶⁰As Bailey points out, this structural position gives rise to much suspicion of the middleman. I would agree with Bailey when he writes: "It should be made clear that we are saying that middlemen incur opprobrium: not that they deserve it." op. cit., p. 169.

point of view of the agent, the essence of his middleman rôle is that he is equally dependent upon both the main parties for his own rewards.

The simplest case is where there is only one person as both listing and selling agent. Ostensibly, as listing agent he represents the interests of the vendor and as selling agent the interests of the purchaser, but in practice his own interests are best served by reconciling the two parties so that a sale is made and he is paid his commission. The term "agent" as applied to real estate salesmen is part of the ideology of the occupation. It suggests to the client: "I'm your agent, I'm on your side."⁶¹ But he cannot be the "agent" of both parties, and the tension between reality and the occupation is clear.

The middleman function of the agent is best illustrated by examples:

Examples 4a and 4b. These examples illustrate the problems of face-saving and clash of personalities that can occur between buyers and seller, and can be contained by the mediation of the agent. They are described by John Neal and Marie LaCroix, the agents involved.

4a. John Neal. Sometimes there is a clash and it is a helluva job getting the two parties together. They'll sometimes kill a deal on some trivial point. I remember a case where two men couldn't agree whether or not a \$5 rug should be included in the purchase price. Finally I said that I'd buy the rug and we closed the

⁶¹Having made this point, I shall follow common usage and continue to use the term "agent" to refer to the real estate middleman. Strictly speaking, the term "salesman" is equally incorrect because the middleman does not really sell anything.

deal. Afterwards I went down in the elevator with the vendor and he said: "You know, that was a good idea of yours, to buy the rug. Here's your \$5 back. I wasn't worried about the rug but I couldn't back down while he was there."

4b. Marie Lacroix. Dealing through an agent the parties can say what they want. Sometimes the two persons hate each other, there's a clash of personalities. The purchaser may make a very low offer; if the vendor gets angry to me, I say: "Listen, it's not me!" and he can calm down. If they deal directly they can come to hate each other, one might wish to see the other one and punch him in the face. I had a case where a client offered only \$40,000 for a house worth \$63,000. There was a real exchange but eventually I sold the house.

Example 4c. Often the agent can force a compromise through manipulating the situation without his client knowing about it.

This case is described by the sales manager, Jim Young.

Jim Young. Well, Danielle (Tarcot) has sold Averley. The asking price was \$52,000. The first offer was \$40,000 and the counter-offer was \$52,000 (the full asking price). They came back with a new offer of \$45,000. This was shown to a lawyer who said that they shouldn't accept less than \$50,000. Darn these lawyers who pretend to be real estate experts and aren't. Madame Tarcot then did a clever thing. She had another client in to see the house just before her potential buyer. This prompted the man to move. He then made an offer of \$50,000. The vendor then said of all things that the house was in her son's name in Africa and he didn't want to sell! But then Danielle got together with the lawyer and they persuaded the woman to change her mind and accept the offer.

It is, of course, difficult to separate the variables in this type of historical account. The importance of the agent's role, however, is clear. In Examples 4a and 4b, the agent intervened to prevent an emotionally based stalemate from killing the deal; while in Example 4c the agent actively forced her client's hand by bringing in another client, and then worked with the lawyer to persuade the vendor to change her mind and accept it.

Vendors incur problems when they try to sell on their own. When asked why she was selling through an agent, one woman commented:

Vendor H. Well, first we tried to sell it on our own. The commission takes a large chunk of your money, and the agent's function seemed very vague to us. We advertized ourselves and people phoned up to see the house. I had to answer the phone as my husband was at work, and I didn't like it too much. It was a little embarrassing answering all the questions they asked. I would have liked to keep a little distance from the buyers. The agent is useful in that regard, she helps you keep a certain social distance from the client.

A man who was trying to sell his house privately complained that the trouble with real estate agents was that "... they're like every fellow trying to sell, they make it too nice, if you see what I mean," implying that this puts the client off. But this man had put a very high asking price on his house, he had not bothered to redecorate it inside, and although he had had 10 or 15 clients in to see it he had received no offers within a year. Another private vendor illustrated the problems involved in face-to-face contact between buyer and seller in the following comment:

Vendor A. If someone makes a decent offer I'll take it. One guy came in and gave me a ridiculous offer, and I told him I wasn't interested, but that he should call me if he wants to raise his offer a little.

Where no middleman is present, the negotiations come to an end as soon as an offer has been refused. The agent, by contrast, keeps the negotiations open and gives people time to think things over and change their minds without losing face. Real estate men recognize this:

Jim Young. One thing that the agent can do that the vendor working on his own cannot do is to minimize the objections of the client. The vendor cannot afford to phone the client and ask him what he thinks. He cannot do that because he would be showing anxiety, and would

in effect be lowering his price. The point is that the agent is a middleman who can renew and maintain contact with the client in a way that the vendor can't. I know of a case where a private vendor has an interested client who wants him to take a mortgage, but he won't and he tells the client to arrange his own mortgage. Now, an agent could do that for the client.

Fred Townsend. Another thing is that the client will confide more in the agent about such things as his financial situation.

Young. Yes, the agent becomes a real confidant, how close you get to some of these clients, hey!

The agents, naturally, overstate the advantage. There are cases, particularly in an active rising market, in which the vendor sells privately without a great deal of difficulty and saves himself the commission, and occasionally a vendor clearly disadvantages himself by working through an agent.

Vendor B. I'm afraid I'm not as business-like as I should be. I've been a bit slap-happy about it. I'll tell you about my house in Toronto. It was a beautiful location, up on Highground Crescent. I paid \$18,500 for it when we bought it. Then I got called back to Montreal in a hell of a hurry. So I signed up with a chap I thought I knew pretty well, I'd known the family for years. Then the next day a friend of mine from the club came around with another man, he's now president of the main branch of the Bank. He looked all around at the house, and obviously liked it. He asked me how much I was asking. He sort of balked at the price, but my friend said: "Ah, come on now, you know you like it." So the next day he bought the house. We were really surprised. But the worst thing was that I still had to pay a couple of thousand dollars to the agency. I was really mad, but there was nothing I could do. If only I'd known, I could have tried to sell it myself.

In spite of his experience, this man continued to work through real estate brokers afterwards. Note that, in this case, the friend played a kind of reduced middleman role.

So far, I have been assuming that only one agent takes part in the transaction. Although this is the preferred state of affairs for the agent, since he receives twice as much commission,

it is unusual. Most sales involve two agents, one who represents the vendor for the listing share of the commission, and one who represents the purchaser for the selling share. Ostensibly, the two agents drive a hard bargain with each other in the interests of their respective clients. In practice, they try to reach a compromise between the two parties as soon as possible, and collect their commissions. It is as though the middleman role has been divided in two. Rather than bargain strongly with each other, listing and selling agents collude to try and complete the transaction. In this way, the social function that the two agents perform is still that of middleman. They work together to try to reach a compromise solution acceptable to both parties.

Both agents often collude to "work on" a reluctant party to accept an offer or counter-offer. The following account is by the selling agent involved:

Louis Ponti. It was largely due to Pete Kovacs (the listing agent). He had the listing and I noticed that it was lower priced than others in the area. In fact, the vendor mentioned it to me a number of times on the phone, that she was afraid the price was too low. My client only wanted to offer \$23,500. Then Pete came in. He saw the vendor two or three times, and he finally settled for \$24,000.

The sales manager, Jim Young, praises this sort of co-operation between two Highgate Realities agents.

Fred Townsend. I sold 3021 Rosehill for \$22,000. I got the client from my sign on Huntington.

Jim Young. That one is a good example of co-operation between agents. Dan Nester had the listing and he had told the people that the house was worth \$23,500 so they didn't want to take less. Dan phoned them up and straightened them out.

Exceptionally, the two agents do not collude. Sometimes, the bargaining position of one will be particularly strong. In a

slow market, an agent may have a very good client where many houses are available. By pushing for a good bargain, he can enhance his reputation with the client. The opposite situation, where an agent has a good listing in a rising market, is even more conducive to such bargaining: the agent can not only enhance his reputation with his vendor but can also make slightly more commission by holding out for a high price. An extremely successful listing agent can occasionally bargain from a position of strength by gaining a near-monopoly of all the listings in a given area. This was unknown at Highgate Realities during my research, but an outside agent described such a situation in another part of the city.

Outside Agent. One woman, Margaret Ryan, used to have the whole of this district sewed up. She was a real bitch, but you had to work with her. And she was a good agent. If you went to her with an offer that was low, she'd just laugh at you. She used to say that her only counter-offer was the asking price. She used to get good deals for her vendors.

Service and Self-Interest

I have argued that the real estate agent works for his own self-interest which is to successfully complete the particular transaction between buyer and seller in which he is involved at the moment. In doing this, he contributes to the smooth, rapid, and efficient functioning of the housing market as a system, but this does not necessarily mean that he contributes to furthering the interests of particular buyers and sellers. In the next section, I shall examine some of the techniques that the agent uses to manipulate his clients into making sales and purchases that they might not otherwise make. Before doing so,

however, I should like to point out certain limitations upon this manipulation: in most cases, the client is not simply an unsuspecting dupe of a greedy operator.

In the first place, the agent's control is limited. He does not have a monopoly on knowledge about the market. Most buyers and sellers have at least a vague idea about the going price for the kinds of houses and areas in which they are interested. Such information is available from newspapers, registry offices, city assessments, and market survey centers. Except for a very naive client, such as the Englishman mentioned above (pp. 53 to 54), the agent's influence upon price and terms is marginal. Given this margin, an agent can work against his client's best interests, and usually the client is unaware of this. A common situation arises when a potential buyer wants a particular type of house. If the agent has a listing of his own which might do, he will try to persuade the client to buy his listing and be reluctant about showing others which might be more suitable. Agents differ in their strategies in such circumstances. Some feel that they should show the better listing regardless of whose it is, because this gives the client greater satisfaction and thereby increases the likelihood that he will come back to the agent later. The dilemma is between short-term gain and long-term reputation, and is illustrated in the following discussion between an agent and the sales manager.

Agent. I have a client for the house on the corner of Kopland and Maple. He wants to put an architect's office there, but now it's a rooming house.

Jim Young. Why don't you think about North St.? It's all right there. Fred Townsend has a listing there. What's the price range?

Agent. About \$60,000.

Young. Listen, Fred's listing is less than that, and it's a much better house. Why don't you show your client that one?

Agent. Well, I might after I check on the other one first. I'd rather sell him that one, because it's my listing.

Young. (after she leaves) She shouldn't be trying to push her own listing like that. When I was selling, I always used to try and get the best deal for my client. Her client would be better off on North.

Here, the potential purchaser's interests were being sacrificed to the agent's. In the following case, it is the vendor who loses out where the listing agent favours a colleague from her own company over an outside agent.

Agent. Well, last Tuesday I had an open house and both Marie Lacroix (Highgate agent) and Mrs. Peddle (outside agent) had clients who were interested, and they both got offers. I decided to go to Ottawa with both the offers. At the last minute, Marie's offer was a little higher with more cash, but I knew that Mrs. Peddle's client would go up another \$500 or \$1,000. Anyway, my vendor took Marie's offer.

The most effective restraint upon the agent in his dealings with his clients is concern for his own reputation which is essential for long-term success.⁶² It is to his own disadvantage to give bad service, because the client will not come back to him to handle future transactions, and will not refer others to him. Indeed, if he does the client a great disservice, the latter can spread the story and ruin the agent's chances for success within the area. This concern for reputation is very important to the agents at Highgate Realities and is the main

⁶²This will be elaborated upon in Chapter 5.

basis of trust between the agents and their clients.⁶³

Vendor L. Previously real estate agents were quite unscrupulous. Especially ten years ago, I had a particularly bad experience in Hamilton. However, I feel that in the last ten years agents have cleaned up their act. They have done this collectively as selling real estate has become a profession. It is in the interests of an individual agent to be honest so that he may build up a reputation in the community as a man who gives good service and deals fairly.

As this example indicates, the feeling of trust is also based upon the success of the occupation in developing a more favourable public image in recent years.

The agent also provides other services for his clients. He saves them much time and trouble, and screens out "undesirable" buyers and sellers. He gives information and advice about many general aspects of real estate which are poorly understood by the amateur buyer or seller: arranging mortgages, conducting searches, registering, tax appraisals, upkeep of the house, and market trends.

On the whole, then, it is difficult to determine whether or not the agent, who is mainly concerned with completing sales as quickly as possible, contributes to the best interests of his clients. In most cases he probably does, and he is rewarded for this by his commission. In some cases, although he may further his client's interest, he clearly does not maximize it. Whether to his overall advantage or not, the agent does manipulate the behaviour and decision-making of his clients. We now turn to examine the ways in which he accomplishes this.

⁶³In less established companies and among less career-oriented agents, this reputational restraint would undoubtedly be less.

Information-Management and Sales Techniques

The niche in which the middleman finds himself leaves much room for manoeuvre. He knows things that neither of the two main parties knows, both about the general state of the field in which he is an expert and they amateurs, and about the parties themselves. The real estate agent knows about the general financial circumstances of the vendor, whether or not he is in a hurry to sell, what price he will be willing to accept, and about the general availability of potential purchasers for the vendor's house. He also knows about the financial circumstances of the purchaser, to what extent he is attracted to a particular house, how crucial it is that he find a house within a given period of time, and about the general availability of houses. Purchasers and vendors, however, do not have this knowledge about each other. The agent plays upon these areas of mutual ignorance to try to bring about a compromise between the two.

Successful real estate salesmen are masters in the arts of persuasion. For analysis, we can distinguish between low-pressure and high-pressure sales techniques, depending upon the level of awareness of the client. Clients are unaware, or only dimly aware, of low-pressure techniques, while high-pressure techniques are more obvious: the client knows that he is being pressured by the agent. Most low-pressure involves some kind of information-management, which in turn takes various forms:

- (1) the presentation of expert knowledge;
- (2) misrepresentation of general facts through either

a. detectable misrepresentation, or b. "undetectable misrepresentation; and

(3) censoring, processing, and reinterpreting communications between buyers and sellers.

I shall discuss each of these in turn.

Typically, the residential agent knows more about the legal side of real estate transactions, financing, and market conditions than does his client.⁶⁴ The simplest use of information, which involves the least risks for the agent, is to provide knowledge and make suggestions that the client might not have considered or had access to by himself. In soliciting for a listing, the agent suggests a number of advantages for the potential vendor if he puts his house on the market. He may suggest to an older couple, for example, that their house is "too big" for them. A rental client can become a buyer if shown by the agent that it would be to his financial advantage in the long run. The vendor may lower his asking price if shown that similar houses in the area have recently sold for less, or an absentee owner of a vacant house can be shown the costs of keeping his house too long in order to try for a high price. The agent also provides information about areas, often suggesting ones that the client has not considered (usually in areas where he has listings). The following comment shows how this influence operates from the vendor's point of view:

⁶⁴For new agents this may not be so, and they may have a problem in presenting an impression of expertise that they do not possess.

Vendor H. When we first bought a house we didn't know very much. We moved into an upper middle class area where we were at the bottom of the scale in terms of life-styles. We feel more comfortable here. We didn't have an agent when we first bought. This time we asked Mrs. Day (their agent) to find us a house and told her all the things we wanted. I don't know whether she guessed what sort of area would suit us or whether it was just chance, but without us suggesting it she showed us houses in this area.

In some cases, an astute agent can literally create a sale by suggesting something to a non-owner which turns him into a buyer:

Peter Kovacs, I said last week that house was a sure sale. I went to see the tenant upstairs, and told him about the house being for sale, and how he couldn't be sure what sort of landlord he might get. The house was going for a bargain, I already had one offer for \$13,000. He said to try \$14,000, but I told him that wasn't enough, so he made it the full asking price of \$15,000.

In this use of information, simply providing knowledge, the agent hardly manipulates, although he is not completely passive: he presents only the rosy side of the picture.

The second way to manage general information is to make it appear favourable to the client's interests when it may not be. In detectable misrepresentation, the agent risks his reputation and any long-term career aspirations for the sake of a short-term gain. In such cases, it is likely that the client will find out eventually, will refuse to deal with the agent in the future, and will tell others about the incident. The following case was reported to me by a former agent of another company.

Case 4a. Detectable Misrepresentation. In this case an old couple were persuaded by an agent that they should sell their home, invest their money, and live on the interest. The couple

trusted the agent, and gave him a free hand to negotiate the sale. Not until after the deed had been signed did they learn that the agent had arranged for them to carry the financing on the house. Rather than receive a large income on their investment, they were to be paid in small amounts over a twenty year period. They would have to live to be over ninety years old in order to see their last payment.

Incidents of detectable misrepresentation were rare at Highgate Realities, but undetectable misrepresentation was common. This usually involves the withholding of some information potentially favourable to the client. We have already seen examples of a client not being told about a better listing by her agent because the latter wanted a larger share of the commission, and a vendor not being informed about the possibility of receiving a better offer from another client (see pages 80 and 81). Misrepresentation also occurs in ways that help the agent pick up a new client. I heard one manager make the following suggestion to some agents:

Manager. You all know how skilful you have to be to get the name and number of a caller. It's a good idea to suggest that you look something up and ask the person his name and number so that you can call him back. I used to tell someone I'd call him back when I actually had the information on the desk in front of me.

Some simple forms of misrepresentation by salesmen are almost inevitable if they are to succeed.⁶⁵

The third, and most important method by which the agent

⁶⁵Bailey suggests that "white lies" are a common and useful technique for middlemen to keep negotiations open.

manages information is in his role as mediator and communicator between the buyer and seller. He is the communication channel between them, but he is not a passive messenger. He selects, censors, and interprets the information that he passes on, and he develops techniques for presenting it to make as favourable an impression as possible upon the receiving party. Selection and censorship are the simplest forms of such information management. The agent passes on certain information and withholds other. In general, he talks about the advantages of a particular house to his client and ignores the disadvantages. He does not, for example, tell about traffic problems in the area, noisy school children across the street, or the basement that sometimes floods in the spring. The following discussion about an agent's new listing presents a more dramatic example of information management.

Jim Young. George has a new listing on Vine Road for \$185,000. That woman is kind of timid, and she must have seen something in George because all showings have to be through him.

Frank Martin. What's she afraid of, kidnappers?

George Lidstone. Well, there have been three robberies at the house, but keep it under your hat.

Where the disadvantages or defects of a house or area are particularly obvious, the agent will not ignore them, but point them out to his client, often prefacing his remarks with a phrase like: "To be completely honest with you..." Blatant defects, such as a house requiring major renovations, can be reinterpreted as positive selling points. The vendor is told that he will have to accept a low price, and the buyer that he can get a bargain, fix the place up, and save money.

The agent passes on information about the vendors and

purchasers themselves selectively, and this varies with circumstances. Since he wants as high an offer as possible from his client, he will usually not talk of his vendor's financial difficulty and anxiety to sell. But if the client hesitates to make an offer, the agent can hint that the vendor is anxious and might consider a low price. The identity of a rich client is usually withheld from a vendor who might then feel that the client could easily afford a high price.

Much information becomes re-interpreted as it passes from one party through the agent to the other party. A client makes a low offer, but says to his agent: "Let's try this first, and see how he reacts." The agent then knows that the client would pay more, and when he presents the offer he can keep the bargaining going by reassuring the vendor: "I realize that this is a low offer for such a fine house, but I'm sure that my client would seriously consider a reasonable counter-offer." Similarly, information is re-interpreted as it flows in the opposite direction. A vendor expresses reluctance to lower his asking price, but intimates to the agent: "Bring me an offer, and then we'll see." The agent infers that the vendor is now ready to consider a lower price. He can then persuade his client to make a low offer: "Let's give it a try, you might be surprised at how he'll react."

Information-management involves not only the selection and interpretation of information, but also the manner in which it is presented. This is the most artful side of information-management, the one that requires much interpersonal skill by the agent. One of his greatest problems, and also one of his

greatest challenges, is to present low offers in such a way that they do not upset the vendor into refusing to negotiate further. Two techniques are illustrated in the following discussion, both involving experienced agents. In the first, the agent softens up the vendor by apologizing first so that he will expect the worst and is then less shocked by the offer. The second technique is to present the offer at once, but to anticipate the reaction and then proceed to a "reasonable" discussion.

Young. There's definitely a technique to making these ridiculous offers. I was in Jdn Neal's office the other day when he was presenting an offer of \$65,000 on a \$100,000 listing. He said: "Good-day, Mr. Thomas, I'm afraid our relationship is about to come to an end! I've got an offer for you, but it's \$65,000". The guy said to bring it over and he'd have a look at it. He didn't accept it, but he did make a counter-offer.

Peter Green. My technique is as follows. I first spend 10 minutes talking about other things. Then I make the offer, and then comes the crucial five minutes when I have to withstand the first flush of hate that comes over the vendor. I watch him slowly turn red and swell up before my eyes. I think if I can withstand that first flush of hate, then I'm all right!

The technique of the "little white lie" can be used to advantage in presenting information. In the following example, the selling agent praises the listing agent involved:

Nancy King. Mrs. Pound (the outside listing agent) showed real technique in selling by telephone. She phoned up her vendor and said that she had an offer of \$30,000 when it was really for \$32,000. When her vendor said that wasn't enough she said she could probably get \$32,000. Her vendor said all right, so she phoned back a few minutes later saying she had an offer of \$32,000.

This is also a good example of co-operation between the listing and selling agent in the middleman role. In this case, it is the listing agent who actually does the selling.

The presentation of information is a delicate operation.

Even single words are important for their wider connotations. When presenting an offer or counter-offer, the clever agent will ask the hesitant client to "approve" or "O.K." it, rather than "sign" it. Similarly, the word "agreement" rather than "contract" is used to refer to a potential listing. Terms such as "sign" and "contract" have an irrevocable connotation that can frighten the client.

Low-pressure salesmanship also includes many "tricks of the trade" in listing and showing houses, and in presenting offers and counter-offers. In showing a house, for example, the agent tries to arrange the appointment time when it can be seen to best advantage. On a busy street mid-afternoon, when the traffic is lightest, may be chosen. A house which receives little sunlight can be shown in the evening when this defect is less noticeable. Showing to best advantage is particularly important when the agent has found a house he feels sure his client will like. He may show other, less suitable houses first so that the impression of the chosen house will be better. An elaborate technique, which includes elements of undetectable misrepresentation, is described by an admiring fellow agent:

John Neal. Let me tell you about old Walter Spurrell. He was a quiet, smooth operator, who later went from star salesman to sales manager. He'd see a woman client and tell her he had just the house she wanted but he wouldn't tell her where it was. Then he'd take her around to a lot of different houses, which he knew she wouldn't like and then he'd come back to this particular house. Christ, it wouldn't be anything special! Probably more traffic than you could find anywhere, but by this time the woman would be drooling. He'd say: "I can't keep it back from you any longer -- this is your house!" She'd want to get in, but he'd pretend he didn't have the key, it was really in his pocket, and he'd leave her at the house while he went for a cup of coffee. By the time he got back, she'd

be panting at the door, and the house would be sold before she ever got inside.

The agent's influence is probably exaggerated in this example, but it does show the kind of technique that is used all the time. Another low-pressure technique is to show the client that there are other potential purchasers interested in the house. In servicing the vendor, the listing agent can pretend he is working hard on the listing by showing it to clients who are unlikely to be interested. Friends and relatives of the agent can even be used for this purpose, although this practice was frowned upon at Highgate Realities.

High-pressure techniques, where the client knows he is being pressured, often involve fact-to-face confrontations that may prove embarrassing and uncomfortable for both parties. Subsequently, many agents refrain from their use as much as possible.⁶⁶ In high-pressure techniques, the salesman aspect of the agent's role becomes obvious to the client. The cold canvass, where the agent rings a stranger's doorbell and tries to interest him in selling a house that is not already for sale, is one example. Another is where the agent tries to pressure a client who is reluctant to accept or make an offer or counter-offer, as in the following account:

John Mason. I sometimes find that there are some clients that like to be pushed a bit. I had a woman one time, that was the only time I really pushed hard. I could tell she really liked the house and she had lots of money, but she was afraid to sign. I said to myself, "Well, here goes, I need this sale," and I took her hand with the pen

⁶⁶To become highly successful, some forms of high-pressure techniques must be used at times, particularly early in the agent's career. See below, Chapter 5.

in it and put it to the paper. When she signed, boy! She was as happy as could be -- she wanted to sign all the time, I could tell that. I could just feel it.

The more sophisticated hard-sell salesmen learn to play upon their clients' obligations for the efforts they have put into the negotiations. John Neal explains the process in discussing two well-known agents in Montreal:

John Neal. I've heard Betty Murphy really lay it on. She cries out about how she's been spending all her advertising allowance on them, and how ungrateful they are. God! That's how the biggest sale that was made in our company last year was brought about. It was a \$2,000,000 deal involving a big airline. They got bogged down arguing about some silly details, and Paul Daniels (a commercial agent) finally walked out on them. It gave the company a shock, I can tell you. Afterwards, the airline saw what they had nearly done, they really wanted the property, and they finished off the deal.

In a case like this, the agent stakes all his hopes upon one dramatic ploy when the negotiations have come to a stalemate. This technique may challenge the normal working of the system, such as the abdication of Daniels above. The aim is to shock the two-parties into a compromise. One such tactic is to reverse the middleman role by bringing buyer and seller together. They may antagonize each other and kill the deal completely, or they may suddenly realize that the other side is human too and their differences are not really worth bothering about. The tactic is described by one agent as follows:

Rosemary Crawford. I wrote up the first offer for my client, but his hand was shaking and he was afraid to sign it. It was the first house he had ever bought. I told him to go home and think it over. Later in the week he phoned and said he'd sign the offer for \$13,600. But the owner hesitated because he wanted to stick at \$14,000. I thought it was silly to quibble over \$400, so I got them both to come up to my house and gave them each a drink. Then I made out the offer myself for \$13,800 and didn't say anything. I just passed it to both of them and got them to sign it.

Here, the middleman continued to play an active role by bringing the two parties together. She played upon their obligations as guests by creating a social occasion in which it would have been awkward for the two to refuse to compromise. In a similar case, the agent involved arranged a meeting with a notary for the signing of a deed before the two parties had reached full agreement. They finally came to terms in the notary's office. Again, the agent took advantage of their obligations not to disrupt a social occasion once the scene had been set.

Finally, the agent can play an innovative part in the negotiations between buyer and seller. This is neither information-management nor pressure techniques, but problem-solving, thinking up compromise possibilities where there appear to be none. The following negotiations illustrate this:

Frank Martin. I went back and forth, back and forth between them, and drank about ten cups of coffee, but the purchaser wouldn't go over \$30,000 and the vendor wouldn't go under \$32,000. Finally, just as I was about to give up I thought that maybe since the vendor wanted to live in the house for another seven months, perhaps the purchaser could give him free rent for that period. I suggested it and after going back and forth a few times, they eventually agreed.

The agent's innovation here was to suggest that the vendor concede \$2,000 on his price in return for seven months free rent.

Summary of Middleman Role

The residential housing market creates a social niche for an expert middleman. If the real estate agent is not absolutely necessary for transactions to occur, he does expedite

them. He saves the two parties time and inconvenience, gives them a chance to think things over, and prevents discomfort and possible loss of face in dealing with each other. He provides a simple sort of social cohesion, a holding together of a short-term, instrumental relationship for achieving a purpose; made possible not by bringing the two parties together into some sort of normative integration,⁶⁷ but by keeping them apart so that they do not destroy the transaction by some impulsive action. The agent is a broker of individual interests. The fundamental source of social solidarity is neither cultural values (mechanical solidarity), nor it is the division of labour (organic solidarity), but rather a mutuality of interest. Self-interest is at the same time the source of both co-operation and conflict between buyer and seller. The agent functions to minimize the antagonisms which are inevitable and which threaten the transaction.

The agent's mediating role gives him an area of freedom for manoeuvring between buyer and seller. He manages the two-way flow of information and intervenes his own dramatic resources to produce compromises and sales. In trying to do this smoothly and quickly, he not only expedites the sales process, but also has a conservative effect upon neighbourhood formation.

The Real Estate Agent and Neighbourhood Formation

The agent's attitude toward his clients is primarily instrumental and pragmatic. He wants to find a house that the

⁶⁷There is, of course, implicit agreement about the basic rules of the game.

client can afford and will like in the area in which he operates. Most clients who have lived in Montreal for some time have a good idea about where they want to live. But out-of-towners who are strangers to the city are uncertain, and look to the real estate agent for advice and information about finding a "suitable neighbourhood". In this way, the agent helps to channel people into particular areas. Usually, the effect of this channelling is to reinforce existing trends and perpetuate the current class and ethnic composition of an area. When an area has begun to change, the agent can increase the rate of change by showing more members of the new group into it.⁶⁸ The agent discriminates among clients on two bases, income and racial or ethnic membership.

Clients are distinguished mainly by income. The agent attempts to establish early how much the client can afford to pay, and he proceeds to show him houses within his price range. If the client cannot afford a house in the agent's area, he will be referred to a colleague in a less expensive area or simply dropped. The following case illustrates the process whereby an out-of-town client is conducted to a particular area on the basis of his income.

Case 4b. Income and Neighbourhood. An out-of-town client phoned Highgate Realities and spoke to Jim Young, the sales manager. He said that he was hoping to rent a house near

⁶⁸In some American cities real estate operations effect dramatic changes in neighbourhoods through "block-busting". See Luigi Laurenti, Property Values and Race Studies in Seven Cities (Berkeley: University of California Press, 1964).

a school, possibly in the City of Westmount. Young suggested a luxurious house which he thought could be had for \$500 a month. The man replied that he was thinking more in terms of \$150. Young informed him that that would be impossible in the western area of the city near downtown Montreal, but that he might try further out on the Lakeshore. The client insisted that he wanted to live near downtown, so Young suggested he might find something for \$200 a month in Nôtre-Dame-de-Grace. The man was interested, so Young told him that he would assign him an agent who would call him back. The conversation ended, and Young called in Rosemary Crawford, an agent who specialized in the N.D.G. area. He instructed her as follows:

Young. Mrs. Crawford, I've got a client here with what sounds like a Dutch accent. He's got three children and says he wants to rent first. He's pretty unrealistic, you know. I had to feel him out by citing an example. He wanted to rent for \$150 in N.D.G., it's possible he might buy. Listen, phone him and size him up, see how much cash he's got. Qualify him that it will cost him more. O.K.?

Crawford went and phoned the client, and returned to report a few minutes later:

Crawford. That man only has \$1,500 in cash. I'm wasting my time. I told him that his only chance would be the Lakeshore.

In this case channelling was based upon income. In the example previously cited of the family who made a mistake and moved into an area that was too upper class for them when they bought on their own (see page 85), channelling was based partly upon life-style. Agents also give advice about the ethnic composition of different areas, and feel that this is one of their most important services.

Fred Townsend. An agent provides so much service particularly to someone from out-of-town. The agent knows where the schools are and he knows about the ethnic groups. Montreal is a city in which the lines between ethnic groups are very clear. Some people don't like living in a ghetto. And of course there are some who want to live in a ghetto.

Bill Wells. You wouldn't take an out-of-town client into Côte St. Luc if he were a Gentile because it's 80 per cent Jewish, or at least you'd tell him about it and then he could go there if he wanted.

Janet Tate. We help the purchasers end up in the right area. It would be a tragedy if an English Canadian from out-of-town ended up in a French area. It would be a tragedy for the wife, she wouldn't have anybody to talk to. I know of a man from Toronto who came here and bought a house in a French area without realizing it. His wife came, and had nobody to talk to and the next thing you know they've gone back to Toronto. If they had had an agent to guide them that would never have happened.

Channelling on the basis of ethnicity is not always such a passive affair. Concerned with maintaining their good reputation within an area, agents hesitate about showing to clients against whom the neighbours are likely to be prejudiced.

Sales Agent. There are problems involved with selling to coloured people. Bob had a negro for a duplex on Hawthorne and there was some trouble. Of course there's a law against it, but we're squeamish if we get a negro client. We can't very well tell them about the problem, but they're not really honest about prejudice here, the newspapers and things. The main problem is usually with the area. I mean with neighbours. They phone up the vendor and threaten him with burning down his house, etc. I think the prejudice is minor but it's still there. We don't deal with many coloured people although we're getting more West Indians now.

This racial discrimination by the agents is part of their general accommodation to their social environment.⁶⁹ Where the people in

⁶⁹This is not to say that agents are never prejudiced themselves. Some of them are, particularly against Jewish clients. As one of them put it, "I don't deal much with Jews, that's my choice."

the area are prejudiced, the agents try to avoid showing black or Jewish clients (depending upon the area), and in this way they help preserve the ethnic composition.

On the other hand, when a neighbourhood does begin to change, the company and its agents follow suit. The most dramatic example of this during my research was the adjustment to a move of more French-speaking people into traditional English areas. The company began to hire French agents and to advertize in French newspapers, and many of the English-speaking agents began to learn French. A lot of Italian immigrants were beginning to move into another area, and the company hired an Italian agent to specialize there. The sales manager liked to be able to accommodate clients with agents like themselves.

Jim Young. I have to be careful, you know, to match the client with the agent. For example, if there's a European client, I might give it to Mrs. Crawford. She's European herself and she's very good with them. If I got a Jewish client, I'd want to give it to Joan Reid or Peter Green. And one of those sophisticated traders, I'd need to give them to some guy who could really handle them, like Peter Green. I wouldn't want to give them to a new agent, generally I give them new buyers looking for their first home. You try to match the leads with the agents. If I have a French client I'd want to give it to a French-speaking agent, such as Miss Verge.

Through this kind of ethnic matching, the agent can act as a real cultural broker, interpreting the values and customs of the new society to recent arrivals from the old.⁷⁰ Some agents particularly like dealing with immigrant clients, because they

⁷⁰Ethnic matching is the exception rather than the rule. Most of the time agents are forced to take whatever clients they can get, and are more concerned with the financial status of the client than his ethnicity.

are usually serious buyers who want to own land in their new country. They sometimes help strangers settle in by introducing them to neighbours:

Marie Iacroyx. I had a coloured doctor once. I had a house for him in Montreal West. My friend and I, we held a party to introduce him to people in the neighbourhood. My friend, she had a little blond boy called Ted, he had lots of fun with the doctor's little boy, they looked so cute together, a real contrast.

This agent afterwards admitted, though, that: "I don't really like dealing with coloured clients. I'm not prejudiced, but it's very difficult."

Real estate agents, then, are reinforcers of neighbourhood trends. Through their advice to newcomers to the city, and through their discrimination against certain kinds of clients for certain kinds of areas, they tend to perpetuate the ethnic and class composition of the areas. When areas begin to change, however, they do not resist the change,⁷¹ but accommodate to it and thereby tend to accelerate the new trend.

Conclusion

Housing sales create a social niche for the real estate agent as middleman between buyers and sellers. He provides information and services for each, and helps smooth over the bargaining between them. But the agent is more than a passive go-between. While furthering his own interests, he initiates and manages negotiations between buyer and seller, and precipitates sales. Agents also play a part in neighbourhood

⁷¹The main reason for not resisting the change is probably that they are not in a powerful enough position to do so.

formation, helping to perpetuate stability in some areas and to increase the rate of change in others.⁷²

His niche in the system sets the context for the real estate man's working life. We turn now to describe his work world, and to assess its implications for the self of the agent, for the strategies required for success, and for the typical career patterns that emerge.

^{72A} A cautionary note is in order here. This last statement about the influences of real estate agents upon neighbourhood formation is based upon less conclusive evidence than the rest of the chapter, and requires further support for its verification.

Chapter 5

THE RESIDENTIAL REAL ESTATE AGENT II:

WORK AND THE BREAKING-IN PROBLEM

Buying and selling real estate, as a type of property exchange, create opportunities for the real estate agent. And this role gives rise to the occupation of real estate brokerage. Having outlined the wider system and the agent's place within it, our focus now shifts specifically to the occupation.⁷³ We begin by describing work activities and the initial career problems of becoming successfully established.

The real estate agent's satisfactions and dissatisfactions, his career, and his self-development derive from his attempt to reconcile the demands of his work with his personal needs and aspirations. His work makes two kinds of demands, those implied in the task itself, and those of the commission system by which he is paid. The work is non-routine, problematic, and involves irregular hours. The commission system makes income irregular and uncertain, but directly related to the agent's skill, effort, and time spent working. It allows the company to make a minimal investment when it hires a new agent, and to adopt a "sink or swim" attitude. A new agent must learn the work for himself without much company help. This first "breaking-in" phase is crucial.

⁷³For the classic statement in this field, see Everett Cherrington Hughes, Men and Their Work (Glencoe, Illinois: The Free Press, 1958).

Time and Work

People trying to buy and sell their houses are usually prepared to do so at any time of the day or week. Indeed, particularly for the working husband or wife, evenings and week-ends are preferred. Since he makes his living by servicing these people, the real estate salesman must work long and irregular hours, depending upon the whims of his clients. The agents find it difficult to specify which or how many hours they work in any week:

Dan Nester.⁷⁴ That's a hard thing to pin down. What do you mean by "work" for an agent? Am I working when I'm sitting home in the evening and I get a phone call from a client? Or if I'm sitting there thinking about which sort of house would appeal to a particular client?

The time spent working, and the level of work activity vary according to fluctuations in the market, including seasonal fluctuations. Agents find December to January, and July to the middle of August relatively slack periods, with business picking up in the spring and late summer before schools open. This experience accords with the data on seasonal market trends presented in Chapter 2 above. (See page 33, Chart 2E) Agents enjoy a great deal of autonomy from the company in determining their own working hours, and there is much variation among them depending upon immediate financial needs, aspiration levels, and career stage. Generally, newer agents must work more than those

⁷⁴I will continue to refer to statements of individual agents and managers by pseudonyms in most cases. Where confidentiality is particularly required, I will simply use the general expression "an agent" or "one agent."

more experienced and established, those in a sales slump work hard while there is a tendency to relax after a good sales period, and agents aspiring to higher status sales or managerial careers work harder and longer than others.

Agents vary in working time in hours per day, days per week, and weeks per year. Some regularly work on week-ends, finding it a good time because husbands are available to look at houses. Others reserve the week-ends to be with their families or for their own leisure activities. This option is a luxury open only to well-established agents at a later phase in their career, or to married agents whose spouses are the main source of family income. Company representatives, of course, prefer that agents work on weekends.

Bob Coles. I usually don't work on the week-ends. I have two kids and that's about the only chance I have to see them. Of course I work if I have to. I'm not afraid of it. If there's a client who wants to be shown a house and that's the only convenient time, then I work on the week-end. But I prefer to go to my house up north. I have an all year round house up there. Of course, it's a sore point around here, the fact that I won't work on the week-ends.

Most agents take from two to four weeks annual holidays, but again there is much variation from year to year and among agents. During 1969, holiday time for Highgate Realities agents ranged from no time at all to two months. Taking a prolonged holiday has recognized costs which go beyond the loss of income during the period itself. It also means that the agent loses contact with his clients, both vendors and potential purchasers, and the longer he is away the longer he takes to re-establish himself when he returns. Of an agent who had spent six weeks in Europe in the summer of 1969, the sales manager complained:

"You can't afford to take that long a break in this business. After six weeks you're completely out of touch with your vendors and clients. It's like starting all over again!"

Nature of the Work

The period of direct middleman negotiations is crucial for the agent, but it is the culmination of much other work.

This work comprises three main aspects:

- (1) getting listings and servicing those listings by helping vendors sell houses,
- (2) acquiring potential purchasers and helping them to buy houses, and
- (3) negotiating between buyers and sellers to bring about sales.

Agents do have secondary sources of income: arranging rentals, managing houses for rental by absentee owners, making estimates of value for prospective vendors, arranging mortgages, and passing on leads to the investment and property management departments. These sources provide only a small proportion of their income, and are often considered more of a nuisance than an asset because they take up valuable time for a low rate of return. Some agents, approximately 20 to 25 per cent, are also small-scale property owners. In a few cases, they become quite successful at this and reduce their effort at or even retire from residential salesmanship. In other cases, particularly in an unfavourable market, property ownership can be a liability:

Fred Townsend. I'm afraid I can't afford to take a holiday this summer. I had no sales in June and July doesn't look any better, and I have three vacant apartments (out of 8). It's a pretty high vacancy rate.

Mrs. Crawford is lucky, she's travelling around Europe. All her apartments are full.

To accomplish his main tasks, the agent must participate in a number of intermediate activities all aimed toward eventual sales. These activities provide variety and challenge on a daily basis. They cannot be ordered in advance, because the agent can never predict when he might receive a call from a prospective buyer or seller, nor can he predict whether or not an offer will be accepted by his vendor or a counter-offer by his purchaser. The main activities are recurrent, although they do not recur with any predictable regularity. We deal now with these recurrent activities.

Activities Related to Selling

When agents work for vendors, they are known as "listing agents". As listing agents, they solicit for listings, take the listings, arrange for their houses to be seen by other agents and clients, keep their vendors informed about their progress, and advise them about revising their asking price and terms.

Soliciting for listings. Obtaining listings is a crucial activity for two reasons:

(1) it is a major source of income, an agent receives a share of the commission for every listing of his that is sold, regardless of who the selling agent may be;⁷⁵ and

⁷⁵In the case of an open listing, he receives no commission unless he has been instrumental in bringing the buyer and seller together.

(2) it is the main means of indirect access to potential buyers.

In the system used at Highgate Realities,⁷⁶ the listing agent has his name attached to the For Sale sign in front of the vendor's house, and to the company-sponsored advertising of the property in city newspapers. The listing agent receives calls from both sources, and he then tries to convert the person who calls into a regular potential purchaser of his. He goes on to show the potential purchaser not only the house about which he has called, but also many other houses.

Techniques for obtaining listings range from passively waiting for leads from the sales manager, which accounts for only a small proportion, to the "cold canvas," actively ringing doorbells of homeowners and asking them if they would like to sell their houses. The cold canvas requires skill in high-pressure selling tactics which are spurned or at least avoided by many agents. An experienced broker, while complaining that the newer agents were too "soft" to use this technique, explained its operation as follows:

Broker. There's only one way to get a listing, and that's to go after it. God, you've got to look for it! I could go out this afternoon to Anderson Street, that's a street with a lot of houses, and start ringing doorbells. When the woman came to the door I'd say: "Good afternoon, my name is John Neal from Highgate Realities". She'd probably say: "Well, I don't want to sell my house". I'd say: "Oh, no, I just thought I'd like to meet you. I'm planning to be in the business for some time, and I like to get to know the people in my area". She'd be surprised by this sort of approach, and the next thing you know she'd ask me in for a cup of

⁷⁶Some other companies have slightly different systems with a sharper division of labour between listing and selling agents.

tea. We'd get to talking about the children and their ages and things, and eventually she'd say: "You know, I think Mrs. Pritchard up the street is thinking of selling her house, why don't you go and visit her?" Well, of course, it wouldn't be this simple, you might need to ring 16 or 17 doorbells. Most agents get discouraged after 8 or 9.

Most canvassing involves less trying methods. The telephone canvas is common, particularly where the agent has a purchaser looking for a house in a certain area. He uses this fact as a convenient and convincing opening to his canvas. Canvassing by letter takes various forms. One agent sends out circular letters on a regular basis through a lithographic company. At Highgate Realities, agents send out letters to owners in a neighbourhood where they have recently made sales. The aim is to capitalize upon the recent sale as an important neighbourhood event, while the Sold sign with the agent's name on it is the best recommendation that the other owners can have of the agent's ability to sell in the area.

Another tactic is to check the Montreal Real Estate Board's notices of expired MLS listings of other firms, and to contact the owners as soon as the listing period with the other company has expired. A few listings come from fellow agents who do not work where a house is located. Listings and leads to clients are exchanged among agents who work in different areas and often for different companies. A few agents get leads from janitors of apartment buildings for a small payment for each lead. Well-established agents count upon the connections that they have built up over the years as their major source of listings, up to 50 per cent for top agents. The company provides some leads to possible listings through copies of private

advertisements from newspapers, and leads to owners who have asked the company for free estimates of the values of their houses.

Taking listings. Once a vendor has agreed to list a house with him, the agent must carefully fill out a listing form which describes the details of the property: the number of rooms and measurements of each, the size and location of the lot, the taxes on the property, mortgage particulars, and the asking price. Buyers and sellers can use an error in the description of the house in the offer to purchase, which is usually copied from the listing form, as an excuse to cancel a sale. Or the buyer might charge the company, which in turn charges the agent, for some defect in the house which was not brought to his attention in its description. It is easy to make an error in taking the listing, particularly if the agent is in a hurry. In practice, he often takes information from an old property record or listing form rather than measure every room himself.

Servicing a listing. Once acquired, the agent tries to retain a listing beyond the term of the initial contract if it does not sell during that period. Agents adopt different strategies toward such listings. The sales manager recommends that each one contact all his vendors at least once a week to ensure them that they are not being neglected, and that the listing is being worked upon. Some agents follow this advice and are very solicitous of their vendors. Others feel that it is a waste of effort to devote too much time to keeping their vendors

happy, and that it is better to try for a new fresh listing than to hang on to an old one that is not selling.

Peter Green. I usually have about 20 to 25 listings, but there's no limit. I take what I can get. Some of them fall by the way-side. Some agents really try to hold on to their listings but I don't. I prefer to have good, saleable listings. Some of the agents here are more concerned with hanging on to listings, and they eventually sell. But that has its negative side. Our old president was once very proud about a sale which we made of a house that we had had listed for seven years. That's fine, but look at it this way. The company probably made about \$1,000 commission. But over the years, they had spent about \$1,000 advertising! You see what I mean?

In a buyer's market where listings are plentiful, agents can afford to be less concerned about hanging on to their listings.

Occasionally, a very successful agent will refuse a listing if he feels that he is getting too many to service properly. Or an agent may refuse a listing if he considers the asking price to be far too high, although in most cases he will accept it and hope that the vendor will be forced to lower his price later.

Ostensibly, the agent serves his vendor mainly by showing his house to people interested in buying it. In practice, although the listing agent may be present, showing is usually done by the selling agent. Generally, agents try to find houses for their potential purchasers, rather than find buyers for their listings. The process of showing will, therefore, be discussed as an activity related to servicing buyers.⁷⁷

⁷⁷Open houses are also ostensibly services to vendors. They are advertised for a specified time, usually Sunday afternoon for two hours, when any interested potential purchasers can come and inspect the house. The real purpose, for the agent, is to try and pick up new clients who will then go to look at other houses with him.

Indirectly, the listing agent does help the vendor find buyers through advertising his listing, putting up a For Sale sign, and by arranging for other agents to know about the house through recording the listing with the company or, for an MLS listing, with the real estate board. The agent also arranges "caravans" and brokers' inspections.

A caravan is an inspection for the agents of Highgate Realities itself of each other's new listings. They usually occur during a specified period after the weekly sales meeting. As many as 15 agents go in three or four cars to inspect all the new listings for the week. For very expensive listings, the inspection might be limited to five or six of the top agents so as not to impose too much upon the privacy of the higher status vendor.

When an agent has an MLS listing but neither he nor any of the other agents in his company has an interested buyer, he tries to stimulate interest among outside agents by holding what is known as a brokers' inspection. This is a kind of open house for outside agents who may have a client interested in that type of house. The listing agent is present for a specified period, usually two hours, to show the outside agents around the house.

Revisions and renewing the listing. After a house has been on sale for some time and no buyer has been found, the listing agent usually suggests that the vendor lower his asking (listing) price and agree to more favourable terms. This may be a time of sharp disagreement between them. An important

encounter occurs when the period of a listing contract expires.⁷⁸ The agent then tries to persuade the vendor to renew the contract for a further 60 or 90 days. Often, the vendor will decide to give the listing to another agent at this time, or he may leave it as a non-contractual open listing and try to sell it himself. The agent's job as listing agent terminates either by the house being sold or by the vendor refusing to renew the listing.

Activities Related to Buying

Much of the agent's efforts are devoted to trying to find potential purchasers, usually referred to as "clients," and to showing houses to these clients.⁷⁹ In this capacity, he is known as the "selling agent". This term is somewhat confusing, but makes sense from the agent's point of view because the agent representing the buyer usually initiates the negotiations which lead to a sale. To repeat, the agent who represents the vendor is the listing agent, the agent who represents the buyer is the selling agent. Agents perform both these roles.

Soliciting for potential purchasers. The most common means of acquiring potential purchasers have already been mentioned. These are from signs and advertising one's listings,

⁷⁸The kinds of opposition that typify the agent-vendor relationship will be discussed in Chapter 7.

⁷⁹Legally, the term "client" refers to the vendor who, since he pays the commission, is the client of the broker. In practice, the agents use the term in a general way to refer to both vendors and purchasers, but, more often, specifically in reference to their potential purchasers. A client in this sense is simply one who has agreed to look at houses with an agent with the intention of buying.

and through contacts and referrals from people with whom one has done business in the past. Another method, which many claim to be very successful, is to hold an "open house" for one's listing, or, with his permission, in a house listed by a colleague. Open houses are intended ostensibly to give the vendor a good opportunity to find clients. The agent does show the potential purchaser around the house to which he has come, but he also offers his services to show other houses for sale in the area.

Agents, of course, are open to acquiring clients at any time. Legendary and usually humorous stories grow up about the prowess of certain of them at soliciting business in unlikely places. These stories represent part of an incipient folklore of real estate selling,⁸⁰ and often serve to relieve tensions in a very competitive and often emotionally trying occupation. I was once present when one agent criticized a colleague's aggressiveness in finding clients. An older agent who was present cut short the criticism by commenting:

George Lidstone. I remember old Cy Fraser who used to be like that. He would look for clients everywhere, in the bank, getting a hair cut. One time he went for a three week cruise. He took a load of gin with him and tried to pick up some clients on the ship. I don't know if he was successful that time!

⁸⁰Incipient because neither formalized nor common to the culture. We are used to looking at non-industrial societies to learn about the origins of our own institutions. In this case, anthropologists might find the study of such incipient trends among organizational groups useful in better understanding social forms which are more complex and more highly evolved in "primitive" societies.

Showing houses. Much of an agent's time, indeed most of it during a very busy period, is spent with his clients showing them different houses he hopes they will buy. Showing a house requires first that the agent make an appointment with the vendor. For one of his own listings, or for the listing of another agent in the company, he can do this directly by calling the vendor himself. For an outside agent's MLS listing, he must arrange the appointment through the other agent. For an outside agent's Exclusive listing, he must first persuade him to grant what is known as a Split. This simply means that the outside agent gives permission to him, and to the other agents in his company, to try and sell the outside agent's Exclusive. A split listing is an informal co-operative listing between companies. Unlike the MLS system, the outside agent can refuse permission. He is likely to do this if he has a client of his own interested in the house.

When the agent takes his client into a house, he prefers to show it himself without interference from the vendor. Agents feel that most vendors are not competent to show their own houses to best advantage, and they also fear that the client may make some comment or criticism that the vendor will resent. As we have seen, agents employ certain tactics to try and show a property to best advantage. Many stressed the importance of concealing their own personal opinions which may differ from their clients. One agent, after a client had decided to buy a small house, made the mistake of saying: "It's really nice, it's a real little doll house." The client turned to him and said:

"You know, I think you're right there, it's too small."

Eventually he bought another larger house from a different agent.

Negotiating Between Buyers and Sellers

The most crucial activities for the agent are the obtaining and presenting of offers and counter-offers. Once his client has decided that he likes a particular house, the agent tries to persuade him to make a high offer. A low offer presents problems. The vendor, if it is his listing, or the listing agent if it is somebody else's listing, may resent a low offer and blame the agent. On the other hand, the agent risks alienating his client if he does not present the offer, and also ~~risks~~ losing a potential sale. Even a low offer is useful for opening negotiations.

The offer initiates the formal side of the bargaining transaction between buyer and seller, with the real estate agent or agents acting as go-between. In most cases, the vendor rejects the offer but presents a counter-offer at a price and terms below his initial asking level, but above that offered by the potential purchaser. There may be as many as five or six offers and counter-offers before a sale is actually made. Since he stands to gain or lose hundreds or even thousands of dollars in the transaction, this is a crucial period for the agent in which he tends to work intensively and for long hours, trying to reconcile the two parties. All other activities assume secondary importance at this time.⁸¹

⁸¹The bargaining process, and the agent's role in it have been discussed in Chapter 4. See the examples, pp. 74 and 75.

Other Activities

Other activities, indirectly related to buying and selling, include efforts to maintain contacts with clients on a long-term basis, and office work required by the company.

Agents try to keep in touch with clients whom they have dealt with in the past. This effort at maintaining contact begins when the agent attends the signing of the deed of sale in the notary's office. Although this is usually a formality, the agent wants to be sure that nothing goes wrong at the last minute, and that the notary does not make a mistake. But the main purpose is to show the agent's interest and concern for his client's welfare. He invests his time in this way to assure that his client will think well of him, and will therefore be more likely to refer others to him and to list his house with him when he decides to re-sell. Agents also maintain contact by periodically phoning or visiting their clients, and by such gestures as sending them Christmas cards. Their aim is to establish long-term relationships so that they will be referred new business in the future.

Office work includes keeping personal records of Exclusive and MLS listings and revisions, providing information about one's own new listings and revisions to departmental files, and sending in particulars of new MLS listings to the real estate board. Departmental records are a mechanism for sharing information. New listings, revisions of listing prices and terms, and sales are first recorded in a daily information sheet called Notes for Salesmen. A copy of each sheet is circulated to

every agent. Through this redistributive exchange, agents are informed about all the listings and sales of their colleagues.

The other main activity, one which is only indirectly related to buying and selling, is sales meetings.⁸² At Highgate Realities these meetings are held weekly for an hour and a half. This occasion, unlike agents' other activities, is held at a regular time each week, and is not directly related to making sales. The agent hopes to learn about new listings, about houses which vendors are very anxious to sell and might therefore go at bargain prices, and to pick up tips about selling techniques. But because they are not directly related to making sales, the weekly meetings are of secondary importance to most of the agents. If he is in the process of negotiating an offer, or even if he has a chance to show houses to a good client, an agent will miss a meeting.

Work Satisfaction

Agents enjoy their work. Above all, they like their freedom and autonomy. They find the work to be interesting and challenging, to provide good opportunities for those willing to work hard, and they like the opportunity to meet people.

Fred Townsend. There's lots of variety, lots of opportunity, no limitations, you can work as hard as you like. There's relative freedom, I say relative because you're pushed around by your clients but by nobody else. There's no limit to the opportunities. Everyone you meet is a potential customer. And I like the physical aspect of the product. There's more variety than in most products. There's not the same standard thing all the time. And you don't have to ask for a raise, either you produce or you don't. It suits my personality.

⁸²Information sharing and hoarding will be discussed in Chapter 8, the organizational functions of the sales meeting in Chapter 10.

During an age that is much concerned with the problems of work in an industrial society: boring routine, alienation through lack of control over the important decisions that affect one's life, and often a dubious connection between an individual's work efforts and his rewards as he perceives it, real estate brokerage provides a striking contrast.⁸³ The main sources of satisfaction are summarized in Table 3A. Eighteen agents were asked whether or not they enjoyed their work, and what they considered its main advantages and disadvantages.

Table 3A

Main Sources of Work Satisfaction
and Dissatisfaction

<u>Source of Satisfaction</u>	<u>Number of Agents^a</u>
Freedom and Independence	11 (61.1%)
Income and Opportunities	12 (66.7%)
Dealing with people	8 (44.4%)
Challenging and Interesting	7 (38.9%)
<u>Source of Dissatisfaction</u>	
Irregular and Uncertain Hours	8 (44.4%)
Income Insecurity and Irregularity	4 (22.2%)
Other Aspects of the Work ^b	8 (44.4%)

^aThis is a record by responses, not respondents, and the percentages do not total 100.

^bDisappointments, Jealousies, Ingratiating.

The agents volunteered less information about the disadvantages of the occupation (See Table 3A), and more probing was required than for the advantages. Three said⁸⁴ that there were

⁸³The problem of the nature of work in industrial societies, and its effect upon individuals has been much discussed by sociologists since the time of Saint-Simon.

no disadvantages. The main source of dissatisfaction, and this is probably more prevalent than Table 3A indicates, is the difficulty of planning their family and social life. Agents never know when they may be called by a client, and are reluctant to forego any opportunity of making a sale or to risk losing the client to a competitor.

Len Brooks. It's nerve-racking, and it's hard on your wife and family. You really need to have an understanding wife. My wife could be inviting her best friends over Thursday night with the candle sticks out and everything, and just as you're about to start your cocktails, the phone rings. Well, it's a hot client, you can't pass him up, and so it spoils the evening. You might plan a holiday, and then some big deal is in the offing. You can't leave or you'll have to give up half the commission. That sort of thing, you know. I really don't see my kids enough.

For less successful agents, the lack of job security is a major disadvantage.⁸⁴ The wide fluctuations in income make it difficult for these agents to plan their consumption and investment spending. Some mentioned particular aspects of the work which they disliked. One man complained: "Perhaps one of the less interesting aspects of this job is that you're usually ingratiating yourselves to housewives." Others mentioned the strong competition and jealousies among rival agents, and the disappointments that the work often entails:

Joan Reid. Basically, this is a cut-throat business. Agents are supposed to co-operate but you find that some of them are quite tricky. I don't know, there's a lot of heart-break in this business.

⁸⁴It is not surprising that few agents mentioned this as a source of dissatisfaction. To admit that security is a problem is to admit that one is an unsuccessful agent, a matter of status pain that the agent would prefer to avoid.

Social and Occupational Background

People go into selling real estate for a variety of reasons, but most of them have certain things in common. Two types of background predominate. The first pattern is older and is the most common at the Head Office of Highgate Realities. Typically, people of this type, both male and female, go into real estate selling because:

(1) They are ambitious; they want to make a lot of money and be a "success".

(2) They lack the resources to obtain their goal by other means: they have neither the formal education to go into a profession or position as a corporate manager, nor the financial capital to set themselves up in business.

(3) They are willing to work hard for long, irregular hours.

In other words, they are willing to invest the main resources that they do have, time and effort, to make money. Working on a commission system, the amount they can make is open-ended; the "sky's the limit".

All male agents of Highgate fit into this category, and most have had previous experience as salesmen (See Table 3B). For them, moving into real estate is a step upward in a longer selling career.

Peter Green. I had a friend who had been a salesman where I worked but wasn't very successful at it. He went into real estate and made a success of it, so I said to myself, if he can make a success of it I'm sure I can do even better, so I came into this business. And I've been very successful at it.

Others move into selling from other real estate careers in property ownership or construction, and a few move from lower management office jobs to escape their routine and limited opportunities. Half the female agents at Highgate Realities fit into this last pattern (See Table 3B).

Table 3B

Previous Occupations of 25 Highgate
Realities Salesmen

<u>Previous Occupation</u>	<u>Male</u>	<u>Female</u>
Salesmen	13	-
Other Real Estate	2	1
Office Workers	2	4
Housewife	-	3

Recently, the number of women selling real estate has been increasing across North America. Many of these fit the pattern outlined above, but a growing proportion are married women whose husbands have successful jobs, whose children have grown up to the extent that they no longer need constant attention, and who subsequently have a lot of time on their hands.

Nancy King. I was sitting home with the family one day in April and I suggested we go up in the country. It turned out that one of them had a date, one of them had to go somewhere else, and the other one had a party or something. I suddenly realized that they didn't need me all the time anymore. A few days later I was out to have my hair done just down the street from here -- we had bought our house through Highgate Realities -- and as I was walking past I suddenly walked in here, went in to see the sales manager and told him that I wanted a job selling real estate.

Such women are attracted to real estate selling because it is easy to enter, requires a minimum of formal training, and gives them the necessary freedom to do what still has to be done at

home. Only three of the agents who worked at Highgate head office during my research fit this pattern, but it is more common in the suburban offices of the company and in many other companies. Although these women do not usually work as hard as the others, they may have another resource, high social connections (usually through their husbands) that largely compensates for this. They can use these social connections to pick up good listings and clients.

The ease of entry into real estate selling, which distinguishes it from many other occupations, is a function of the commission system. Real estate companies invest little money in hiring new agents. They do not pay them a salary, and the marginal cost of providing desk space and secretarial service for a new agent is low. Screening of recruits through interviewing is very impressionistic. If there is an opening, and the sales manager feels that the candidate might make a good agent, because of his sales ability or social connections, he will be hired. It is very difficult to judge a candidate's potential in advance.

The company adopts a "sink or swim" attitude. If the new agent becomes successfully established, the company profits. If he fails, the company has not lost much, and it can easily hire a new recruit. Because the commitment is slight, even unsuccessful agents are usually able to find another firm who will take them on if they are fired. This sink or swim arrangement makes it particularly difficult for new recruits to break into the business.

The Problem of Breaking In

The most crucial period in the career of the real estate agent is the beginning. A number of obstacles make it very difficult for him to get established. These are:

- (1) Lack of help from formal training.
- (2) Lack of help from other agents.
- (3) Lack of good leads from the company.
- (4) Lack of a territory.
- (5) Lack of connections and contacts.

The Corporation of Real Estate Brokers of the Province of Quebec gives a short correspondence course which must be taken by all new agents in its member companies. The candidate must pass an examination at the end of the course. It teaches him a lot of the basic information he needs to know about mortgages, accepting offers, and legal restrictions, but very little about the problems of day-to-day dealings with prospective clients and vendors. This may be because the course is conducted by realtors from various companies around the city, who are naturally reluctant to pass on their secrets to new agents, most of whom will soon be working for the opposition.⁸⁵

Many new agents have already had experience as salesmen. Much of this can transfer successfully to selling real estate, but there are limitations. A house is a more important commodity

⁸⁵Largely because of their recognition of the limitations of the provincial course, Highgate Realities has recently begun its own training program for new agents. This may represent an incipient trend away from the "sink or swim" approach. Agents emphasized that their sales managers, Jim Young, gave more help than did sales manager in most other companies.

to most buyers than a vacuum/cleaner or even a car, and the same "hard sell" techniques often prove ineffectual. Real estate agents must get listings as well, a different process from selling. A number of new agents with selling experience complained that they found it very difficult to get listings.

Lack of experience is a greater problem than it might be because the new agent gets little help. In the first place his colleagues are also his competitors, so they cannot afford to be too helpful for fear of undermining their own chances for a sale. More important is the independent nature of the work, and the lack of informal social contact among agents, particularly between the more successful and the less successful. This lack of contact is reinforced at Highgate Realities where the established, successful agents work "upstairs" on the main floor and the newer, less established agents work "downstairs". Agents spend more time with their clients and vendors than each other. Many more established agents form loose partnerships with a couple of colleagues, but it is difficult for a new agent to enter into such an association before he has proven himself a worthwhile partner. These loose associations are generally among agents of equal prestige and success, so the newer agents are forced to rely upon other new agents for help.

The disadvantageous position of the new agent also shows up in his relationship with the company, which depends upon the agents for its own income. Both because of their better bargaining position, and because it feels that it can rely upon them, the company gives most of the more expensive listings and leads to the most successful agents. Newer agents are also at a

disadvantage in disputes with more successful colleagues. Because the company depends more upon the latter, it favours them in disputes with the weaker agents. The company does help the new agents to some extent; at Highgate the sales manager helps with advice, and even contacts reluctant clients and vendors on occasion. The weekly sales meeting provides an opportunity for new agents to pick up useful advice from the manager and from the better agents. The company also provides a few leads and listings (maybe 10 per cent of his total), but these are generally for lower-priced houses. In the core areas of getting listings and clients, and in dealing with vendors and prospective buyers, the agent is primarily on his own. Each recruit must learn the tricks of the trade for himself through a kind of self-socialization process, and if he fails to train himself through his own experience within a short period of time, he will not make it as a successful real estate salesman.

The agent faces another problem in his lack of an established territory; he has no reputation in a familiar area. The problem of territory is important at all levels of the social organization of real estate brokerage. On the macro-level, the business deals with this through controlled competition. Companies become established in areas where they can develop or exploit an existing need for their services, and strive to maintain their position by developing a local reputation. Recently, this process is being challenged by the growth of trust companies who depend more upon a national reputation and special services, but this remains a minority trend.

The allocation of territorial right also poses an

internal problem for each company. Some solve it by assigning particular areas to particular agents or groups of agents. Highgate Realities have not adopted this solution, except that head office agents are told to refrain from working in the territory of another branch office. Given this restriction (which is not strictly enforced in practice) all agents are free to operate where they choose. This gives the agent more leeway in showing houses to his clients,⁸⁶ but its disadvantage is that most agents aspire to work in areas with the most expensive houses. As one company representative complained:

Company representative. Let's see, how would it be best to explain it to you? Suppose you have a large number of branches of a river all feeding into a huge body of water. Then the huge body of water is much deeper than the branches, and it contains all the big fish. The small fish are in the smaller rivers. Where does everybody want to fish, in the big river, right? Well, it's like that: the lower-priced areas are the little streams. Like Mrs. Jones, she has just sold a house on Maple Street, well that's a big fish, before she used to work in a low-priced district. How are you going to get around that sort of thing?

In practice, the company steers weaker agents into lower-priced areas by giving them leads and calling them the "experts" for those areas.

Company policy being indefinite, each agent must solve the territorial problem for himself. Many of the least successful agents have failed to do this satisfactorily. When asked where they worked, they would name almost all the districts in which the company operates. Most of the more successful

⁸⁶It also has an incidental advantage for the client, as the agent is less inclined to try and pressure him into buying within a small area.

agents, by contrast, would specify one or two areas in which they had built up a local reputation. One agent, Joan Reid, had sold so many houses in one area and had so many signs there that it was known locally as "Reidville." A few of the top agents were able to succeed in a much wider area than most. I asked one of them how he managed this:

Peter Green. It's a matter of doing your homework first. Before I even go to look at a house I make a proper survey. I find out all I can about the neighborhood, and about any sales that have occurred there lately. I look at the history of the house on the cards downstairs. I think it's really important that you can show a vendor that you know what's going on in the area, and that you know something about his house. Too many of them don't do that. That's not the businesslike way of doing things, you know. It's not good real estate. You've got to know your areas and your houses to impress your man.

This agent devised his own means of dealing with the territorial problem. His solution lets him adapt better to localized market fluctuations than the more specialized agents. He is one of the few agents whose sales have not fallen during the recent market slump in Montreal. The less successful of the new agents were unable to solve the problem of territory.

The biggest obstacle that new agents face is their lack of connections, people with whom they have done business in the past who come back to them when they have other houses to buy and sell, and who refer their friends, relatives, and business associates to their agents. An agent's long-term success depends upon his building up a large "bank" of contacts and connections. This process is cumulative; success breeds success. The notion of "reputation" is intimately linked with this process of building up contacts. Reputation is an eminently social characteristic;

long-term success for an agent depends upon his establishing a good reputation for himself among his clients. Satisfactory service ensures that they keep coming back to him and refer others to him. With the possible exception of a few contacts with relatives and friends, the new agent cannot get any clients through referrals. He must attract them by some other more time-consuming and more difficult method such as canvassing or open houses.

Conclusion

In his activities of selling, buying, and negotiating sales, the real estate agent enjoys much freedom in working hours, effort, and strategies. This has its costs, particularly in the early stages of his career when he tries to break into the occupation with little help from his company and colleagues. On the other hand, he finds the work interesting and challenging, and knows that if he works hard and intelligently, he can become highly successful. Just as the agent's daily tasks are unpredictable and variable, so his career is unstructured and open for entrepreneurial talent.

Chapter 6

THE RESIDENTIAL REAL ESTATE AGENT III:

THE AGENT AS ENTREPRENEUR

Much has been written by occupational sociologists about organizational and professional careers,⁸⁷ but little about those of entrepreneurs. A few social critics have evoked a somewhat romantic image of the old captain of industry⁸⁸ or the inner-directed individualist⁸⁹ as a comparative basis for criticizing modern organization men,⁹⁰ but there has been little empirical investigation of those occupations which continue to provide entrepreneurial opportunities and foster entrepreneurial strategies and attitudes today. We can conceive of an organizational career, from the subjective point of view,⁹¹ as one devoted to upward mobility in an organizational hierarchy, and a

⁸⁷See, for example, the recent collection: Organizational Careers, ed. by Barney G. Glaser, (Chicago: Aldine, 1968); and the textbook by Walter L. Slocum, Occupational Careers (Chicago: Aldine, 1966).

⁸⁸C. Wright Mills, White Collar (New York: Oxford University Press, 1951).

⁸⁹David Riesman, The Lonely Crowd (New Haven: Yale University Press, 1961).

⁹⁰Wm. H. Whyte, Jr., The Organisation Man (Garden City, New York: Simon and Schuster, 1956).

⁹¹For a useful distinction between objective and subjective uses of the concept of career, see Robert A. Stebbins, "Career: The Subjective Approach," The Sociological Quarterly, 11, 1970, pp. 32 - 49.

professional career as one devoted to gaining recognition through some contribution to the profession which transcends organizational bounds.⁹² An entrepreneurial career, by contrast, is aimed at the production of some form of economic or social profit through the expansive administration of a set of resources. Or, as Fredrik Barth puts it:

To the extent that persons take the initiative, and in the pursuit of profit in some discernable form manipulate other persons and resources, they are acting as entrepreneurs.⁹³

Agents as Entrepreneurs

Real estate agents are loosely bound members of organizations, but their success as agents depends upon their entrepreneurial ability to establish and exploit their niche in the housing market. It is only at a later phase in the subjective career of the upwardly mobile agents, when they think in terms of moving into some other occupational position, that they must adopt organizational strategies.

Agents themselves explain differential success levels in terms of individual motivation, sales techniques, and ability to match particular clients with particular houses. Such individual differences undoubtedly exist, but are of secondary interest for the sociologist. Our concern is with the various strategies that produce success, rather than the

⁹²See Barney G. Glaser, Organizational Scientists: Their Professional Careers (New York: Bobbs-Merrill, 1964).

⁹³The Role of the Entrepreneur in Social Change in Northern Norway, ed. by Fredrik Barth, (Oslo: University of Oslo Press, 1964), p. 6.

personality traits of the individuals who employ those strategies.

Resources are invested to produce profits. In this case, the major initial resources are time and a willingness to use that time in hard work. Social and business connections may also be useful initial resources, as is the reputation of the company if it is well-known. But the main resources are time and effort. The major profit is money income, with improved social status and feeling of self-worth being important derived forms of profit. Increased leisure is an important form of profit for some agents particularly in the later phases of the career. The career progresses by investing initial resources of time, effort, and social connections to produce income and these other forms of social profit. Agents try to do this expansively, so that their rate of profit continues to increase.

These initial resources produce income through a series of intermediate conversions. Agents use their time and effort to acquire listings. Listings, and further investments of time, produce potential purchasers. Potential purchasers, and time and effort spent in showing them houses and presenting offers on their behalf, produce sales. Sales produce income and, derivatively, status and self-esteem; as well as satisfied vendors and satisfied purchasers, income for the company, and, in deals which involve two agents, income and satisfaction for colleagues.

Barth argues that growth occurs where the profits of an enterprise can be reinvested as assets in the same enterprise.⁹⁴

⁹⁴Ibid.

In the case of real estate careers, however, it is not the profits themselves, but the important social by-products of the activities involved in producing profits that are re-invested. Through the successful investment of his initial resources, the agent builds up a bank of secondary social resources which can be re-invested to produce more listings, more purchasers, and more sales. These secondary social resources are of three kinds:

- (1) long-term relationships with clients who refer other people to the agent and who come back to him to handle their future real estate transactions;
- (2) an improved reputation with the managers of the company who then give him more and better leads and listings and company privileges; and
- (3) an improved reputation among fellow agents within the company and in outside companies who then want to co-operate in closing future sales.

Social and Cultural Restraints

Entrepreneurial activity occurs within a social and cultural context, and where it threatens to create social costs for the community, it opens itself to some forms of communal restraint. This implies that, as Robert Paine puts it: "... entrepreneurial success is contingent on the disavowal of certain kinds of profit."⁹⁵ The real estate agent must allow for three

⁹⁵Robert Paine, "Entrepreneurial Activity Without Its Profits," in Barth, op.cit., p. 34.

forms of restraint upon his behaviour: formal, informal, and moral.

Formal restraints are imposed by the legal system of the province, the Montreal Real Estate Board, and the agent's company. In his endeavor to acquire listings, for example, the agent must refrain from soliciting vendors who have signed contract listings with other firms. If he persists in doing this, he will be reported to the Board, and will be sanctioned by a fine and possible suspension of membership. Agents who work for a company such as Highgate Realities, if they wish to continue there, must refrain from certain practices which might be considered permissible by other companies who depend less upon a "professional image" for their success. The sales manager described an instance of the re-socialization of a successful agent who had recently come to Highgate Realities from another company.

Sales Manager. Peter Kovacs was in here the other day. He wanted to take a cut in his commission to complete a sale. He deals a lot with that sort of client. I had to prevent him from doing that. I had to explain to him that we don't want that sort of business.

Informal restraints are imposed by clients and colleagues. In order to succeed the agent must build up a good reputation among his clients. He must deal with them fairly and honestly, or, more exactly, he must successfully convey the impression that he is dealing with them fairly and honestly and to their best advantage. When an agent fails to satisfy a client in some way, he is usually unaware of how he has failed and will simply lose the client. Occasionally, he may learn about what went wrong from another source. One man told me of losing a client who had

heard at a party that he always favoured the vendor.

The agent must also be aware of how he manages his reputation with fellow agents. One newly arrived agent at Highgate created resentment among her colleagues by not getting her share of new listings and badgering the others to show theirs.

Moral restraints are imposed by the individual himself.⁹⁶ Agents differ in the extent to which they impose restraints upon themselves which limit their success in favour of other values. These may be limitations as to area and type of people, or limitations as to techniques.

Highgate agents try to avoid dealing with certain ethnic groups and in lower socio-economic areas. Anti-semitism is not uncommon, as the following comment illustrates:

Agent. Jewish people have a persecution complex. They enjoy being persecuted, they do, they enjoy it. If you call them a bloody yip they'd do anything for you. I'd like to see somebody try that sort of thing with me! They're really very difficult, I don't like dealing with them. They ask how much you think they can get the house for, and you tell the truth, say \$25,000, and immediately they think \$22,000. Mind you, some of them are very nice. (Drops to a whisper) But I'd never go to work in the Jewish area!

Agents also hesitate to deal with black clients, not so much because of their own prejudice, but because of the damage it can do to their reputation in an area.

Many agents refrain from selling techniques that they feel are somehow personally degrading and reprehensible to

⁹⁶The term "moral" is used here in a sociological, not an ethical sense. Some of the moral restraints mentioned, such as ethnic prejudice, are distinctly unethical.

themselves and their potential clients, not in keeping with their status as "professional realtors." They often realize that they limit their success by this, but prefer to maintain a favourable self-image.

Yvette Tardiff. I don't go out and knock on doors. I would feel like the Fuller brush man or something if I did that!

Pauline Winter. You have to be very diplomatic in this business, and not push too hard. That makes the client back off. Of course there are some agents who like to push hard. And they make a very good living out of it, particularly when they deal with their own kind, a better living than I make, I must say.

Some of the more ambitious agents take advantage of their colleagues' self-imposed restrictions. Some have begun their careers by establishing themselves in Jewish areas to pick up most of the business there. One of the best salesmen in the company's past found his niche in a lower-class area that was not being serviced by anyone else. A director told me his story:

Director: Let me tell you about how old Bill Ralph got started. Well, it was back in '32 or '33 when he came to us. We didn't want him! We had a star salesman at the time, at least I was told that he was a star, he didn't sell a house for 365 days. That's the way things were then. What did we want with another salesman? So Ralph asked our president if there were any areas in which we couldn't sell houses. My uncle said yes, that we couldn't sell any duplexes south of Main Street. So Ralph said: "Okay, hire me to sell houses down there." So we hired him and he went down and made a detailed study of the area and figured out a way to move those houses. He did pretty well at it too, and made enough of a stake for himself so that he could move into commercial and industrial real estate. You see the thing is that selling those sorts of houses is not as glamorous but they can be moved.

Self-imposed restrictions limit the success possibilities for some agents, while they improve opportunities for colleagues

who do not restrict themselves in this way.

Given these limitations, the success which they enjoy, the opportunities available for moving on into managerial or higher-powered selling jobs, and the decisions that they make during various career phases, combine to determine the typical career patterns of residential real estate agents. I will now describe and analyze these patterns in terms of the entrepreneurial model outlined.

Career Patterns

Agents can be classified according to five main patterns:

- (1) Abortives,
- (2) Marginals,
- (3) Regulars,
- (4) Upward Mobiles, and
- (5) Perennials High Producers.

Abortives. Many new agents fail to establish themselves, and leave after one or two years because they are unable to make a satisfactory living selling real estate. Typically, they are unsuccessful in their initial attempts to acquire listings and, being in need of money, tend to concentrate upon making quick sales. But this is at best a short-term expedient. Even if they succeed in making a few sales of other agents' listings, they fail to build up the important connections and access to clients that a number of good listings provides, and they fail to establish a local reputation in any area. Constantly under immediate financial pressure, they keep trying to make a quick sale with the few clients that they have managed to pick up.

usually through the company's assistance. Dependent upon only a few clients, these agents are in a vulnerable position. Eventually, they are bound to run into a period in which a couple of deals fall through. Unlike their more established colleagues, they have neither the financial capital to fall back on nor the prospects of new clients being referred to them through the contacts they have built up, to compensate for short term set-backs. The sales slump makes them depressed and edgy in dealing with potential new vendors and purchasers, thereby making it even more difficult to build up new business. Eventually, even if they are not fired, they are forced to leave, usually for a lower-potential sales job.

The two cases which follow illustrate the dynamics involved by comparing an abortive attempt with a successful attempt at becoming established. Both agents began at Highgate Realities during the period of my research.

Case History 6a. John Mason. Mason had worked at the same sales company as the new residential manager of Highgate Realities, and decided to try selling real estate when the latter took up his new position. The company granted him a sizeable monthly drawing account when he started,⁹⁷ and, compared to most beginners, he received quite a lot of initial help from the manager. He made a sale almost at once to a client who came to the office on a Saturday morning when he

⁹⁷A drawing account is an arrangement whereby the company helps to overcome irregularity in an agent's income by forwarding him a basic monthly payment. This is recorded as a debt to the company, and is deducted from the agent's commission income. Where the agent fails to average as much commission as his drawing account payments, his debt with the company mounts. Drawing accounts do not alter the fact that the agent's income depends solely upon his commission. Most agents at Highgate do not have

was the only agent present. Encouraged by this, he then concentrated more upon sales than listings, particularly because this was more akin to the selling experience he had had previously. The listings he did pick up were mainly open listings. He did not want to "push the vendor too hard" into signing a contract listing, but the open listings produced no income for him when the houses were sold by outside agents or the vendors themselves.

Mason also determined that, although he liked his new work, he would not kill himself at it. He modelled himself after an established agent who was known to make a comfortable income without working too hard. What Mason failed to consider was that this established agent received most of his business through referrals, and that he had worked harder and under more favourable market conditions when he had begun. Mason was also hampered by his family obligations. His wife was sick, and he often had to look after their children and take them to school.

After his initial success, Mason began to find things more difficult. He almost completed a few deals which fell through at the last minute, including one for which the purchaser signed an agreement to purchase, turned out not to have the necessary money and cancelled the sale. Mason wanted the company to sue for the enforcement of the legal contract, but they refused. After this Mason, who had previously been generally optimistic and cheerful, began to get drawing accounts.

discouraged:

Mason. I don't know, that sale falling through has kind of set me back a little. Things have never affected me like that before. You know, it's hard to get started in this business.

Mason was having other problems as well. His office was on the basement floor of the company's building with the other weaker agents. An informal opinion leader, an up and coming agent, resented Mason's connection with the sales manager. He and some of the others made fun of him among themselves, and sometimes refused to co-operate with him in a deal. Mason became a social isolate. He was forced, for example, to drive his own car and go on caravans by himself. He then missed the advantages of informal discussions of his work with other agents. He also had a problem with his paper-work, which took up much of his mornings. This was not solved until the sales manager suggested that he do it at night and reserve his mornings for contacting potential clients and vendors.

By the end of his first year, Mason had fallen into debt to the company, and they began to pressure him. They abolished his drawing account "as an incentive". With his back to the wall, Mason made a great effort in the first month of his second year and sold four houses, making him the company's leading salesman for that month. But his new success was largely illusory. The company took much of his commission to pay back his debt, and he owed most of the rest in overdue bills. Worse still, his new listings had been sold, and he had none left. In retrospect, he felt that he should have concentrated more on listings at the beginning, but he now

needed money so badly that he was concentrating on sales. He still felt that he was a good salesman, he liked the work, and he felt he could do all right if he could just get established. He did not blame the company for his failure, although he did think that there should be more help for new agents:

Mason. It's like teaching somebody to swim by just throwing him into the pond and he either sinks or swims. I think it would be better to give him some hints first and he'd make a better swimmer.

A few months later, Mason quit his position at Highgate Realities and returned to his old job as a door-to-door salesman.

Case History 6b. Frank Martin. Like Mason, Frank Martin had had a lot of previous experience in selling, and decided to go into real estate after discussing it with the new sales manager.

Martin succeeded in every way that Mason had failed. He took an analytical approach to his work, and consciously adopted a set of strategies aimed at long-term success. In his interview with me after he had been an agent for 10 months, he stressed the importance of working hard:

Martin. That was Mason's main problem, he wasn't ready to work. He would close a sale and then take off up north for three or four days. You can't succeed like that, you lose contact with all your other clients. You can't do that when you're starting out. For the older agents, maybe, because they get more of their listings and clients by referral. I figure that starting in this business takes three or four years. That's what I've decided for myself. I'm already making a pretty good living, but I know I can do much better, much better. I don't have any problems, except I'd like to know how to earn more money. That's all I'm interested in. I don't care how long I have to work, how many hours, and I'm ready seven days of the week.

Martin also recognized early the importance of getting

listings, although, like most salesmen who move into real estate, he found this difficult.

Martin. The toughest part for me is to get listings. And this is one of the most important parts of this business. It's so important that some agents, even some in this company, are able to earn over \$20,000 a year even though they're not really salesmen. They can do that because they can get so many listings. In order to make sales you have to have clients, and in order to get clients you have to have listings.

Whereas Mason would work in all the company areas, Martin concentrated upon one in particular. He chose a Jewish section because most of the agents at Highgate Realities are reluctant to work there (he is not Jewish himself). In this way, he gets most of the company leads for clients interested in the area. He has also established a working relationship with an agent from another company who operates in the district. They first met when he found buyers for a couple of her listings. They enjoyed working together and now they exchange information and split listings.

Because he followed the pragmatic rules⁹⁸ for breaking in to real estate selling, Martin succeeded:

- (1) he established himself in a territory, the Jewish area,
- (2) he concentrated upon getting listings as well as making sales, and
- (3) he worked hard and for long hours during his first year.

⁹⁸Pragmatic rules, as defined by P.G. Bailey, are statements about whether or not a line of conduct will be effective, Strategems and Spells, (Oxford: Blackwell, 1969).

By the end of the year, Martin had made more sales than many established agents, and was unofficially declared the company's "rookie-of-the-year". He seems to appreciate the cardinal pragmatic rule for long-term success: "build up good social contacts with clients and colleagues", and appears well on the way to becoming a highly successful residential agent. He is already thinking about the possibility of moving on into commercial sales in a few years time, but he feels he has to get more experience first.

Marginals. The Marginal agent, unlike the Abortive, manages to break in to real estate selling, but his position remains precarious. He is able to get by either because he has a spouse⁹⁹ who is also working, or simply by adjusting himself to a low standard of living. Marginals like the freedom and the nature of the work itself, but they fail to develop productive selling strategies and are unwilling to work hard enough to become very successful. One Marginal agent, Bill Wells, commented:

Wells. You have the possibility of making more money here than if you're on a salary. Of course you have to work hard for that. I don't work hard enough for that myself. Perhaps if I were married I would, but now I don't feel the push.

Wells was later fired by the company. A colleague explained:

He just wasn't producing. It's too bad because he really knew his business, he had a terrific memory, but he just wasn't willing to put in the work. He used to stroll in at 10.00 in the morning, that sort of thing.

⁹⁹The spouse may be husband or wife. In these statements, I am using the general term "he" to refer to both male and female agents.

The sales manager, referring to Wells' reluctance to use hard sell techniques, concluded that "...he was the nicest kind of fellow that you'd want to meet anywhere, but, you know, the road to success is littered with nice guys."

The Marginal career is characterized by a high degree of horizontal mobility from company to company, often initiated by the company because of the agent's low production. Most agents accept this possibility as simply one of the expected contingencies of the career:

Pauline Winter. I like it here all right, but I've worked for three different companies. They expect you to fulfill your quota here. If I don't fulfill mine, and they ask me to move, I won't mind very much. The company asks people to leave if they don't fulfill their quota. No, I don't mind if I have to move, although I like it here.

A few Marginals move around through their own initiative. They blame their company for their failures and keep moving in the unrealistic hope of eventually finding a firm which would give them a lot of leads and assistance.

Regulars. Regulars go into selling residential real estate, become well-established and quite successful, and remain in the business for a long time. Residential real estate salesmanship becomes their main life's work. This career pattern is the most stable and involves the least amount of inter-company mobility. All three agents who had been working at Highgate for ten years or more fit into this pattern.

Regulars work hard in their early years while getting established, but tend to relax a little after they have built up a series of contacts so that much of their business comes from

referrals. In this later phase of their career, their work and leisure patterns more closely approximate those of salaried workers. Their success is due to their having developed a routine set of practices which work.¹⁰⁰ They have a good reputation within an area, a bank of clients who provide them with new business and referrals. Their approach to selling is usually low-key. They rely upon building up friendly relationships with their clients, so that the latter will continue to deal with them because they like them and trust them.

It is the Regulars who have been most affected by the recent market slump in Montreal.¹⁰¹ They continue to employ their habitual methods, but find that these no longer have the same productive results. The agents may be partially aware of their problem. During one caravan, the Regular, George Lidstone, complained about the market:

Lidstone. I must say, for me personally it's been the worst year I've had since joining the company. There's no doubt that you have to adjust your approach to different types of market conditions. Some of the agents seem to be better at adjusting than others.

But during the same caravan, Lidstone decided not to go and inspect a new duplex listing, because he did not like the area and did not like dealing with duplexes. The company's most successful agent at that time did most of his business selling duplexes in poorer areas of the city.

¹⁰⁰I do not mean to imply that they have articulated it in these terms themselves. They have not.

¹⁰¹The poor market also increases the difficulty of breaking in. But, as the case of Frank Martin illustrates, this can still be achieved successfully.

Upward mobiles. For some of the most successful agents, residential selling becomes a phase in a longer real estate career. Through their success, they build up capital which allows them to move into other types of real estate selling: commercial, industrial, or investment. These involve greater risks and long periods of living on one's savings, but the stakes are greater and they can make more money than in residential, or the same amount of money with less effort. Alternatively, the Upwardly Mobile agent can move into a high paying managerial position which affords a new challenge, higher status, and a good income with more regular hours. The case of David Curzon, a highly successful agent who later moved into a management position illustrates the process.

Case History 6c. David Curzon. Curzon immigrated to Canada from an eastern European country, only to find that his professional degree was not recognized in this country, so he took a low-paying job in a bank. He tells his own story from that point as follows:

Curzon. I soon got tired of that. I did a lot of work but I got paid nothing, it was a form of slave labour really. One day I noticed an ad in the paper by a company looking for salesmen to sell their refrigerators. I phoned the manager and got the job. Well, their refrigerators were only small, you know, about three feet high. Who wants to buy a small fridge like that over here? I had a hard time selling them, but I got a real education, I can tell you. A real practical education, I mean. I used to be pretty shy before that, but they gave us three meetings a week and really drilled into us the idea of selling. They used to make us knock on doors, and they taught us that, when the person says "no" for the seventh time, that's when the work begins. I wasn't doing too well with the fridges, and the guys selling vacuum cleaners told me I should join them. I was hesitant at first, I said: "You can't expect me, with a professional degree, to go out selling vacuum

cleaners!" But I did, because I wanted the money. Before long, I became the top salesman in the city, but even at that you could only make a few hundred a month.

Later, I got to be manager of one of the offices. Then I was getting a salary of \$12,000. But that was kind of a ceiling, you know what I mean. I was impressed by the agent who sold me my house, I had always been interested in real estate, so I started thinking about the possibilities. The biggest decision was to give up a \$12,000 a year income to go back on a commission basis. But I like to work for a commission, it doesn't put a ceiling on my aspirations, you know what I mean? I had considered going into real estate five years before, I should have done, I could have retired by now. I decided to join this company, because I had always been impressed by how business-like they were. You know, I had sold eight houses before on my own, just by putting ads in the paper for people, you didn't have to have a license then. But the trouble is you don't learn anything on your own, it's better to be with a big company.

I must say it's different selling houses. It's not like selling vacuum cleaners, you meet people on a different level. Selling houses is easy, I found, people even come to you and ask you to sell their house, and they act as if you're doing them a favour! It's not like with selling vacuum cleaners, where you feel practically as though you're begging. Let's say it was an improvement for me, I improved my status. In my first year, really little more than half a year, I made \$7,500. The company were amazed, because that was a recession year. But I just worked so hard, I had lots of ambition you know. I used to work where no-one else would work. In the Jewish area, for example, none of the agents would work there, so I used to take those listings. I dealt with all the hardest people, but I didn't mind, I made sales. I used to knock on doors, everything. It was mainly a matter of motivation. In the second year, they set me a quota of \$10,000 and I made \$12,500.¹⁰² The manager was amazed, but I told him that that wasn't good enough. Then he set my quota at \$12,500 and I made \$15,000. The next year I made \$20,000, the more I learned the more money I made, then it was \$22,500, then \$25,000, then \$30,000, and so on.

¹⁰²Each agent is given a quota by the company for the coming year, based upon his past performance and their expectations for him. Agents are not rewarded materially for bettering their quotas, but take much satisfaction from doing so. The system is analagous to a handicap in golf -- it permits new agents to be compared with established stars on a fair basis.

Later, after he had become the top salesman in Montreal, Curzon was offered a good managerial job by Highgate Realities, who were afraid that they might lose him to an outside company. This was a crucial turning point in his career.

Curzon. This opportunity came along and I considered it. You know, it's not everyday that an opportunity comes along. It's like waiting for the next bus, if you wait too long, you might miss it altogether. You know, you reach a point where money is not everything, where you want a new challenge. I decided I could take a cut in my income. After all, I have a wife and a son who had grown to be fifteen years old, and I wanted a chance to spend some time with them, instead of having to be ready to work every week-end and every night. So I decided to give it a try.

Curzon is now a successful manager in the company, and his entrepreneurial talent has been channelled into initiative for company expansion. Whether or not he remains at Highgate Realities will probably depend upon the extent to which the company accommodates to his demands for growth and innovation.

Perennial High Producers. These agents achieve a high degree of success in selling residential property, but, because of some structural or cultural barrier, they do not move up into other aspects of real estate operations. The main barrier is sex. Female agents are both less likely to consider going into other types of selling, and are less likely to be considered for these positions by the male managers in these departments. To understand the social reasons underlying these attitudes, it is necessary to review briefly the entry of women into residential real estate selling.

Although female agents had become fairly common in many parts of North America by the 1950's, the older managers and male

agents at Highgate Realities were reluctant to follow the new trend. They were forced into it, however, because they had been losing so many of their top male agents as managers and commercial, industrial, and investment salesmen in newer, faster growing companies during the real estate boom of the 'fifties. A company director explained:

Director. A lot of companies were expanding, and a lot of new companies were being formed. They'd look around, and see these men in our company. They'd know that they were properly trained and so they'd offer them a job. We lost about twelve of our best men like that. It was a shattering experience. Anyhow, because of this trend it became harder and harder to get good men to stay in residential. It's only in the last three years that we've had this big influx of women. It's been a real invasion.

At the same time as these openings were being created, women were proving that they could succeed in residential selling. For these pioneers, it was quite a struggle at the beginning:

Joan Reid. I tried to get in here but they wouldn't take me, or at least they said to come back a few months later, but I wanted to start right away. I then tried Peter Ennis Realities, but he wouldn't take me either, so then I tried a small firm, and they were desperate for agents, so they took me. There were only about half a dozen women in the business then, but I was lucky and did extremely well almost at once. Peter Ennis started taking women the following year. He told me he changed his policy because of me. The funny thing was that it was the sales manager there who was mainly against taking in women. Well, he put his own house on the market and I ended up selling it. I think he decided to change his policy after that.

Reid later became the most successful female agent in Montreal. When she applied again to Highgate Realities, because she wanted to work for a larger company, she was welcomed graciously. She was, for example, assigned a large private office next to the sales manager's.

Although they now acknowledge the women's success, there is still a lot of resentment among the older male agents. They rationalize the success in terms of the female's advantage in showing houses to women clients. She is in a better position to discuss the kitchen and the children's bedrooms. On the other hand, male agents are purported to be more "businesslike", and for this reason to be better suited to selling other forms of real estate. In many cases, the female agents themselves share these perspectives on the relative advantages and disadvantages of each sex.

Even the most successful women at Highgate do not look forward to advancing their careers by moving into other types of selling or managerial positions. One of the two top female agents plans to remain in her present position until she saves enough money to retire, while the other plans to continue "unless I meet up with some man who can give me the style of living I've grown accustomed to without me having to work." Seven out of twelve male agents, by contrast, aspire to higher selling or managerial careers. Of these, six have been less successful in selling residential property than the top females.¹⁰³

Other than sex, the ascribed characteristics of age and

¹⁰³A few successful female agents in Montreal have achieved occupational mobility by establishing their own real estate firms. According to their statistician, 9 or 10 of the approximately 250 brokers of the Montreal Real Estate Board were females as of October, 1969. Only a few chance this risky career move. Most Perennials are effectively locked-in to residential selling.

ethnicity can be barriers to mobility. A salesman who becomes very successful selling residential real estate when he is quite old is less likely to risk another career move. As one man puts it:

Look, I'm sixty now, hey. I've got my own little corner here. I have my contacts, the people that know about me here. It would mean starting all over again, if I were to go into industrial.

Ethnicity can also be a barrier. A Jewish agent, for example, may have trouble advancing in an English or French-Canadian company. A somewhat different barrier to mobility derives from the fact that a move into management or another kind of selling is a step upward in an organizational career. Unlike the entrepreneurial aspects of the residential sales career, success in an organizational career involves different contingencies and requires different strategies for success. Primarily, it necessitates the cultivation of harmonious relations with superiors in the organization. One of the best agents at Highgate Realities, who was also a major source of innovation for improving organizational efficiency, failed to advance partly because he was considered a troublesome influence by some of the more powerful managers.

From a wider perspective (as was taken in Chapter 2), we can see that the lack of an elaborate bureaucratic hierarchy in the real estate business is a basic mobility barrier. Only the Director's job at the Montreal Real Estate Board is well-paid and prestigious, while most positions at the local, provincial, and national levels are held by full-time brokers.

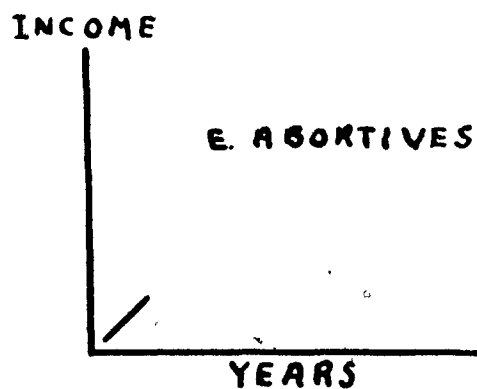
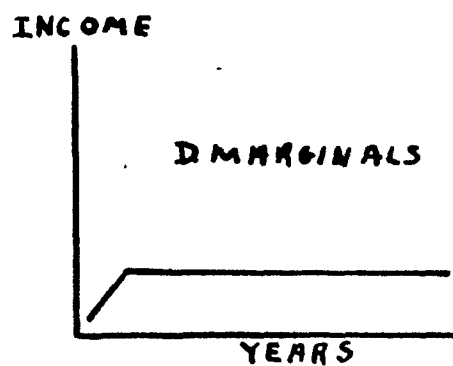
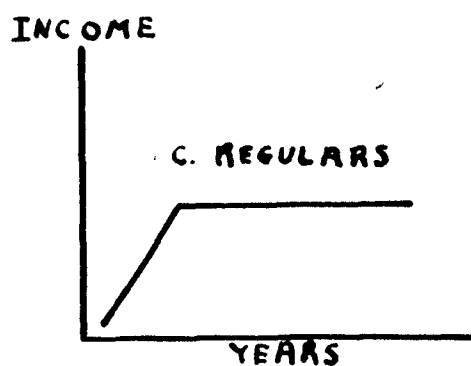
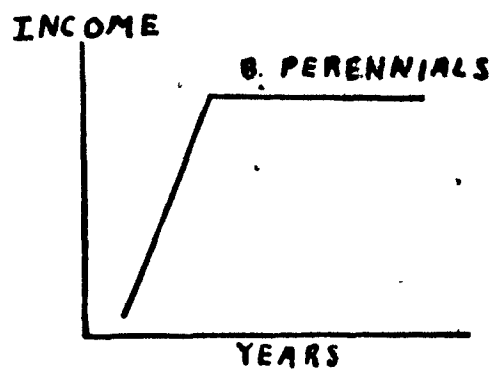
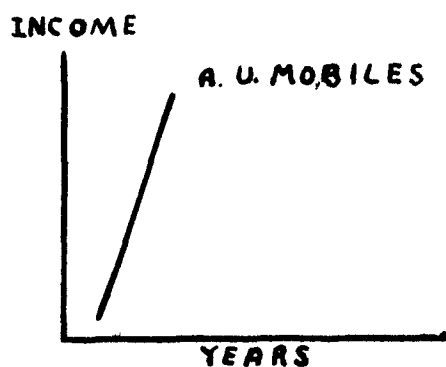
The Perennial High Producers, like the Regulars, have

long-term, stable careers in residential selling, but they differ in that they maintain the higher level of sales of the Upward Mobiles. However, the career blocks of sex, age, and ethnicity hold them in sales careers where they convert sales strength into high prestige and a better bargaining position with the company.

Minority Patterns. The five main career patterns distinguished so far are ideal typical constructions based upon twenty empirical cases at Highgate Realities and a couple of cases of agents from other companies. The income curves for these five patterns are presented in Graphs 6a. to 6e. (page 151). Three factors combine to produce these patterns: sales success, opportunities for career mobility within real estate, and agent's decisions about whether or not to continue in selling residential real estate at particular phases of their careers.

These factors can be represented in tabular form to define a twelve-fold property-space.¹⁰⁴ As Table 6a. illustrates, our five empirical career patterns fit into five of the twelve cells. This leaves seven other logical possibilities and, as Barton suggests, one of the purposes of such an exercise of "substruction" is to bring these to attention. Are there empirical cases which fit the empty cells, and if not, why not?

¹⁰⁴See Allan H. Barton, "The Concept of Property-Space in Social Research," in The Language of Social Research, ed. by Paul F. Lazarefeld and Morris Rosenberg, (New York: Free Press, 1971), pp. 40 - 53.



Graphs 6A to E

Income Curves for five Main Career Patterns

Table 6a.

Residential Real Estate Career Patterns

<u>Mobility</u>		<u>Sales Success</u>		
<u>Opportunity</u>	<u>Decision</u>	<u>High</u> <u>(\$20,000+)</u>	<u>Medium</u> <u>(10,000-20,000)</u>	<u>Low</u> <u>(<10,000)</u>
Yes	Stay in____	xx	xx	xx
	Move up____	U. Mobiles	xx	xx
No	Stay in____	Perennials	Regulars	Marginals
	Move out____	xx	xx	Abortives

Considering first the positive opportunity rows, we find that the only empirical type represented is the Upward Mobiles. These are highly successful, achieve opportunities for mobility in real estate, and decide to move out of residential selling. Of the other five logical possibilities, we would not expect the low success agents to be given opportunities for mobility, and I heard of no empirical examples.

Two members of the property management department of Highgate Realities fit into the positive opportunity, medium-success category, and accepted middle management positions in real estate when given the opportunity. They both could have made a good living selling houses, but did not like the insecurity and irregular hours, so they moved into the first available salaried position. The assistant manager of the property management department recalls his decision:

I sold residential real estate here for six months, and managed to sell six houses in that time. But I had a wife and children and I was working seven days a week -- every week-end. Then I saw that the company was

advertising for this position and I decided to apply. It gives more security being on a salary.

A few fairly successful and very successful agents told me they had declined middle management positions with other companies. They decided they could earn more by selling, but would have accepted a higher management or selling position if one had been offered.

Neither Perennial High Producers, Regulars, nor Marginals have received mobility opportunities in real estate, but have elected to continue as residential agents. Abortives have received no opportunities, but have decided that they cannot make it in real estate and have left the occupation. We would expect to find cases of medium success agents who decide to quit selling real estate and take up a new occupation. I heard of no cases; the problem of course is that my sample was drawn only from those who remained in. Perennial High Producers, as would be expected, remain in real estate even though blocked from further mobility (with the rare exception of a few who create opportunities by establishing their own firms).

Finally, I should point out that many agents at any one time cannot be classified according to this scheme, because their careers have not progressed far enough. An agent who is just starting may follow any of the patterns. Another who has become well-established after one year, such as Frank Martin, in Case 6b, may turn out to be a Regular, an Upward Mobile, or a Perennial High Producer. Career patterns develop over time, and individuals' patterns are not clear until they have spent at least three or four years in the occupation.

Career Patterns and Entrepreneurial Strategies

It is instructive to conclude this discussion of career patterns explicitly in terms of the entrepreneurial model presented earlier. Abortives and Marginals fail to establish successful careers because they fail to invest enough of their initial resources of time and effort either in an absolute sense, that is in terms of amount of work per unit of time, or in a distributional sense: they fail to acquire sufficient listings to assure success even in the short-run.

Regulars, Upward Mobiles, and Perennial High Producers all establish themselves successfully. But their career patterns differ in the long-run. Having established themselves, and having begun to achieve a bank of social contacts as secondary resources for investment, these agents are faced with a choice. They can decide to replace some of their energy resources with developed social ties and maintain their income level. In other words, they can invest their secondary resources to produce increased leisure.¹⁰⁵ This is the implicit decision of the less achievement-conscious and more family-oriented Regulars. Their freedom to make this decision depends upon the housing market. When the market changes unfavourably, they are forced to re-adjust their allocation of resources. They must settle for either less income, less leisure, or somewhat less of each.

The Upward Mobiles and the Perennial High Producers

¹⁰⁵For an analysis of such a process in economic anthropology, see Richard F. Salisbury, From Stone to Steel, (New York: Cambridge University Press, 1962).

continue to invest their initial resources of time and effort at the same rate after they have begun to build up their secondary resources, and their income rises accordingly. The Upward Mobiles continue to expand production until they can convert their success into a new selling or managerial position, while the Perennial High Producers eventually attain a ceiling, because time is a limited resource and a point is reached at which the optimal combination of initial and secondary resources is achieved. Further social capital cannot be converted into sales by the agent because he simply does not have enough time. Exceptionally, however, this surplus social capital can be converted into esteem and deference from colleagues by giving excess listings and leads to less successful agents. There is a certain noblesse oblige element to the few agents who accomplish this:

Joan Reid. I find I'm getting more leads now. Sometimes I decide that I can't take one. I don't want to have too many listings. I'd just as soon some other agent had them and got the commission when I made a sale. I sometimes put out even harder to help other agents than I do on my own listings.

The real estate agent's work, the strategies required for success, and the career patterns described are the developmental context for the social self of the real estate agent.

Real Estate Salesmanship and the Self

As Everett Hughes has pointed out "...a man's work is one of the things by which he is judged, and certainly one of the more significant things by which he judges himself".¹⁰⁶ The

¹⁰⁶Everett Cherrington Hughes, "Work and the Self", in Social Psychology at the Crossroads, ed. by John A. Rohrer and Muzaffer Sherif, (New York, 1951), p. 313.

significant others¹⁰⁷ for the real estate agent are his clients, his fellow agents, and the managers of the company. These others define his worth in terms of his skill and success in making sales, and the agent comes to evaluate himself in these terms.

Real estate selling is cyclical, with fluctuating periods of sales success and slumps. These fluctuations effect short-term changes in the self, both in its emotional and cognitive aspects. The self can be conceived of as having two components, a self-feeling and a self-image.¹⁰⁸ Self-feeling is the emotional side of the self: it consists of the emotions one experiences in references to one's social standing relative to significant others. Self-image is the cognitive side, consisting of ideas about one's own worth relative to these others.

Agents in sales slumps become depressed, brood about lost sales, and may begin to question their own ability. New agents start to wonder if they will ever be able to make it in real estate, while older ones may ask themselves if they are slowing down or losing their touch. Sometimes, the agent will project his problems on to others, and blame the company or his colleagues for his slump. The following conversation between two agents illustrates the situation.. The agent experiencing the slump, Teresa Verge, had had about two years experience at the time, and had recently moved to Highgate Realities.

¹⁰⁷This analysis follows the work of George Herbert Mead, Mind, Self, and Society, (Chicago: University of Chicago Press, 1934).

¹⁰⁸Most discussions of the self pay too little attention to its emotional side, while Homans' alternative dictum that "Activities determine sentiments" is rather over-simplified. See George C. Homans, The Human Group (London: Routledge and Kegan Paul, 1957).

Teresa Verge. I don't know, I suppose she (a third agent who was not present) is a good saleslady. All her enthusiasm about all her "lovely houses" must rub off on to some of her clients.

Rosemary Crawford. My, aren't you being bitchy today!

Verge. It's this damn client that I was telling you about. What kind of a saleslady am I? I even have a client who likes a house but won't put his name on paper. I can't even persuade him to do that. I don't know, I think I should get a job as an appraiser. I go and appraise a house in about five minutes. I tell the people all about how they should manage their house, whether they should sell this year or wait until next year, and what repairs they should do. Then I think to myself after: I must be nuts telling them all that. I'm supposed to be selling them a house!

Crawford. By the time this area is worth anything (the area through which we are driving) we'll probably no longer be selling real estate.

Verge. I hope not. I hope that in two years time I'll have found me a man and won't have to work like this for a living. Well, I hope it's sunny on the Cape next week.

Crawford. Oh, are you taking a holiday?

Verge. I sure am. I've got to get away from this business for awhile, before it drives me crazy.

Crawford. I wish somebody would sell that listing of mine.

Verge. I wish somebody would show a listing of mine! Do you know, nobody has even shown any of my listings. And I just can't seem to get any more listings and the company haven't given any help. I think I'll have to go and see the management.

This agent did go to the manager who listened to her problems, gave her advice about how to acquire listings, and also a few good leads. She managed to pull herself out of her slump, and by the following year had become one of the top producers in the department. The last time I saw her she explained to me that: "What it takes to succeed in this business is guts!" She had just sold a house that morning and had an offer on another one, and exclaimed euphorically that it was "a miracle!"

A person's self-image and his self-feeling affect his

presentation of himself in his relations with others.¹⁰⁹ This poses a serious problem for the agent who is feeling "down" because of a sales slump. His success depends largely on his ability to instill confidence in his clients through his own appearance of enthusiasm and self-assurance. When he feels down it is more difficult to project a favourable image. Agents deal with this problem in various ways. Some, like Teresa Verge, go to the sales manager with their problems. He once described himself as a "father confessor". Others talk to colleagues who have had similar experiences and pulled out of them. David Curzon would pay a visit to a client whom he had satisfied in the past.

Curzon. I'll tell you one of the things I used to do when I was down. I used to visit people to whom I had recently sold a house. They would tell me how much they liked it and I would feel much better. You zizzle up, you know.

All these methods are attempts at revitalizing the self through favourable stimulation from significant others.

Most of the more experienced agents had learned to accept slumps as a routine hazard of the occupation, and could project a favourable impression to their clients even when feeling down. Long-term success allowed them to re-define the slump as a kind of natural hazard, not a failure for which they were personally responsible. Often, they would work even harder during these periods; this was both therapeutic and a strategy likely to

¹⁰⁹Homans makes this point again in a rather oversimplified way, when he argues that sentiments also determine activities. His best exposition of this is in "Marriage, Authority, and Final Causes," which is reprinted in Sentiments and Activities (London: Routledge and Kegan Paul, 1962).

alleviate the slump. It is also most likely to maintain a favourable impression with the sales manager, as the following comment indicates:

Jim Young. One of the important things in this business is perseverance. You must keep on working your best even when things are not so good. A good example of this was Peter Green. Back around June, he went through six weeks when he couldn't make a sale. But he kept slugging, and then he made nearly \$6,000 in one month. One of the really important things is for the agent to be confident in dealing with his clients and vendors. About six months ago Joan had really lost her confidence. But she kept working away, and with a few sales lately she has got it back. You can really tell to look at her.

Sometimes, rather than work harder, the agent will take a holiday to "get away from it all" and hope to come back "a new man". Holidays serve an important psychological function in the re-vitalization of self. As one agent explained before leaving for his annual vacation:

George Lidstone. I feel that I need a holiday now. You find some agents get really ratty, when they've been working too long without a holiday. Louis Caron was like that. He was a good man, but you could tell he was on edge after he'd been working a year. Then he'd go away camping with his family for two weeks, and come back a new man.

Over the years, the agent's self develops as his career pattern takes shape. A dramatic change can occur initially when an ambitious, but previously shy person, starts selling. We have seen how this happened for David Curzon when he became a refrigerator salesman. The following is a description by her husband of a change that occurred in a woman after she became a real estate agent:

Husband. Selling can be summed up in one phrase: "How are you?" You have to be able to say that not as a platitude, but so that you show that you're really interested. You try phoning my house some time, and if my wife answers, you'll see what I mean. You should have seen the change in that woman! She used to be afraid to

use the telephone, even to phone our good friends. If she wanted to have them over, she'd get me to call them.

As his career takes shape, the agent comes to see himself as a good agent or a poor agent according to how his success compares with that of his colleagues, and to how he is respected, ignored, or maligned by colleagues and managers. For successful agents, the favourable self-image and self-feeling become positive values which they want to preserve; the preservation of self becomes an important motivational force when money problems are no longer as important as they once were:

Joan Reid. I really haven't found income to be a problem. I suppose it's a problem for some agents, but I've always made far more than I actually need. I suppose I wouldn't like it if I was paying off a mortgage, paying off a car and had children to cope with. You know the really important quality in this business is ego-drive. It's the satisfaction of accomplishment. I really feel wretched if I don't accomplish a certain amount per year. It's not so much just the money. You really have to keep at it so much if you want to persevere.

This statement also reflects the vulnerability of a top agent's position. His prestige in the company is directly dependent upon maintaining his high-level sales performance. The business is highly competitive, and new ambitious agents are always trying to surpass the established stars.

Occasionally, an agent develops an almost obsessional preoccupation with his work. It takes on such importance in his life that he loses his inclination to do other things, even to the extent that his health becomes threatened. The following comments are about three different agents, the first two made by a member of the agent's family and the third by a colleague.

Husband. They say that women work only part time, but of course some of them get carried away and work all the time. Like my wife, she works full-time. Yesterday she went to work at 9.00 in the morning and didn't stop until 10.00 at night.

Son. Dad's whole life is real estate. He hasn't had a holiday in the past six years. He can't afford to, not only financially, but in the sense that he doesn't want to get out of touch with his clients and the market.

Colleague. It's a demanding job, it's round the clock if you want to be good at it. A lot of the good men get really tired. Two years ago Jim was getting so tired that he was really punchy. Really, people were worried about him.

Before leaving the occupational self of the real estate agent, a reminder is in order. The self is not simply a passive reflection of others' perceptions.¹¹⁰ There is, in Mead's terms, an "I" as well as a "me". There is an assertive or even aggressive side to the human self. As Erving Goffman puts it: "...the individual can act so as to determine the traits that will thereafter be his: he can act so as to create and establish what is to be imputed to him."¹¹¹

Agents sometimes reject others' images of themselves. The rejection may be defensive, such as John Mason's statement: "I know I'm a good salesman, I know I can do all right if I can just get established." Or the rejection may be assertive, the agent expressing dissatisfaction with his own performance even though others are favourably impressed by it. David Curzon's insistence to his admiring sales manager that "it still isn't good enough" illustrates this. In a similar way, Frank Martin

¹¹⁰This image of the self was popularized by Cooley's notion of the "looking-glass self". Charles Horton Cooley, Human Nature and the Social Order, (New York: Schocken, 1964).

¹¹¹Erving Goffman, Interaction Ritual (New York: Doubleday Anchor, 1967), p. 238.

shrugged off my suggestion that everybody thought he was doing extremely well: "I've been doing all right. I'm already making a pretty good living, but I know I can do much better, much better" In the long run, of course, these assertions of self are effective only to the extent that the agent, through his performance, can prove his claim and bring others into line with his image of himself. Curzon was content that his claim had been satisfactorily established only when others were referring to him in statements like this by the personnel manager:

You know, if you want to find out about real estate salesmen, you can learn all from David Curzon. He made over \$40,000 last year as a salesman and knows everything about selling.

Occupational Perspectives

In this final social-psychological section, we shift focus from the individual real estate agent to real estate practitioners as a group. The members of an occupation, through their common experiences and mutual interaction, develop shared ideas which we can call an "occupational perspective."¹¹² In an open, competitive society, occupational perspectives are developed to a large extent with reference to other occupational groups. The occupation tries to project an image favourable to itself in comparison to other groups.

¹¹²The notion of a collective perspective is derived from Mead as interpreted by Howard S. Becker, Blanch Geer, Everett Hughes, and Anselm Strauss. See, Boys in White (Chicago: University of Chicago Press, 1961), and also Becker et. al., Making the Grade (New York: John Wiley, 1968). Mead's statement can be found in "The Objective Reality of Perspectives", in George Herbert Mead on Social Psychology, ed. By Anselm Strauss, (Chicago: University of Chicago Press, 1936), pp. 342-354. Mead was more interested in individual perspectives as an explanation of individual differences than his modern interpreters.

Two occupational perspectives are found among the agents of Highgate Realities, which I shall call the entrepreneurial and the service perspectives. The entrepreneurial (or business) perspective derives from the nature of the agent's work, and the competitive way in which it is organized with successful efforts directly rewarded by increased income. Like the captains of industry of the nineteenth century and their laissez-faire apologists, the agents value independence and freedom. They believe in the virtues of the competitive system as the best way of motivating people, and maintain that an individual's success or failure is due to his own efforts. Generalizing from their own experience to the wider society, they are politically conservative or rather nineteenth century liberal in their political views: they believe in and are willing to defend the private property and market exchange system on which their livelihood depends, and they are disturbed by any evidence of increased government "interference" with property rights and by the rise of the welfare state. The following comments illustrate aspects of this entrepreneurial perspective:

David Curzon. I wasn't really happy about insurance. I didn't really believe in it, not the way I believed in property. My folks had a lot of money in insurance before the war, but by the end of the war, it was practically worthless. But real estate keeps going up, I've seen it.

John Mason. I don't think George Levitz will be with us much longer. He's a nice, intelligent fellow, but he hasn't sold a house in six months, and he doesn't attend meetings. I wouldn't feel right about staying if I didn't sell a house in that time.

Frank Martin. No, I don't agree with unions. I figure if you're good enough, you don't need anyone to fight for you. If I have something I want done, I want to be able to go to the manager myself, I don't want anybody else

representing me. I've never gone to the management yet, but if I need to I want to go myself.

Fred Townsend. I know it's hard to find good tenants these days with most people on welfare. Most of them are so lazy that they wouldn't work even if they were given the chance.

Don Lane (General Sales Manager). Let me tell you about the rental control board, it arbitrates between the landlord and the tenant and usually comes up with a compromise solution. This is very unfair. For example, a landlord might want to raise his rent from \$125 to \$175 but he couldn't do it because of the rental control board. They might allow him to raise it only \$5 of \$10! We've had that happen to us.

Fred Townsend. I have a friend who's just been to Russia and I've been to Yugoslavia myself. It's terrible in those countries, those poor people, it's their terrible system.

On the other hand, the service perspective is an assertion of the real estate agents' social status. They identify with other service occupations with established professional status, and disavow similarities between themselves and other kinds of salesmen. As Hughes has pointed out, each occupation is characterized by "...hedging statements in which people pick the more favourable of several possible names for their work:¹¹³ The employees of Highgate Realities prefer to be called "agents" than "salesmen" because of the unfavourable status implications of the latter term.

Joan Reid. I don't really get the feeling of being a salesman in this business. It seems more like a service because our clients come to us. I've been to a few real estate conferences and they keep talking about us as salesmen. Of course we are really, but I don't usually feel as though we are, if you know what I mean.

¹¹³"Work and the Self", p. 313.

Len Books. Selling houses is different from selling other things, because of the nature of the product. Some firms of course are like car salesmen, but not the good ones.

On the other hand, agents like to compare themselves to established service professions. As one man expressed it: "If I have a pain in my head I go to the doctor, if I want to sell a house I go to a real estate agent."

The members of Highgate Realities also use the service perspective to compare their company favourably to their more aggressive competitors.

Bill Wells. This is the best company in Montreal, and the type of personnel, they're very good. There are no fights here. That's a lot different from what it is in some companies. A lot of them are really bad types, real hard-sell pressure guys, like automobile salesmen, or something. You should see them at Maurice Sheffman's!

Don Lane. You've been taught that medicine and law are professions, and business isn't. Well, some businesses are really professional these days. The real estate business is one of them. We have our own training and everything. Except for some firms of course. They're really scum. The lowest of the low. Treat real estate as though it were a god-damned -- a bloody occupation or something!

Agents cannot be classified according to the entrepreneurial or the service perspective, since elements of each enter into every agent's thinking. But there is a division between those who are mainly concerned with projecting a more professional image and those proud to call themselves businessmen without qualification. This split reflects the division at the national level between the Canadian Real Estate Association, a business organization, and the Real Estate Institute of Canada, an organization which aspires to professional status. The more professionally oriented agents are more likely to advocate ethical restraints upon their behaviour and strict adherence to the

by-laws of the Montreal Real Estate Board, while the business oriented agents argue that anything goes as long as it produces a sale and does not get the agent into trouble with the Board. The following scene from a sales meeting illustrates the kind of division that occurs. Of the actors involved, the sales manager, Jim Young, and agent Jack Fraser represent the business approach, while agents Danielle Tarcot and Joan Reid are more concerned with ethical implications.

Jim Young. Well, we want to talk about one special situation this week. What should you do if you get a call from an outside agent on an expired listing? It happened to Danielle last week, and she told the other agent that it was expired. Subsequently, she lost any commission. (As did the company!)

Danielle Tarcot. Well, I thought it was the honest thing to do.

Young. I don't think you should tell the other agent. I was involved in a lot of sales like that. I wouldn't say that the listing was expired, and I would go to the house, so that the other agent didn't get a chance to talk to the vendor.

Joan Reid. Well, I never would do that! I can remember once phoning St. John's (a rival company) about a listing and they told me that it was expired. I was impressed by how honest of them it was.

Young. Well, I would never say that it was expired, and if an agent asked me on the phone if a listing was exclusive, I always said it was.

Tarcot. No, you can't say that! But I lost my commission, and I thought I was being honest. Maybe I should learn a few tricks...

Young. Do what you want to do, but this is how I see it. We're trying to act like businessmen, the idea is to make a sale.

Reid. Okay, if that's the policy. If you feel that we can get away with it, that's all right with me.

Jack Fraser. I think this is a silly conversation. The question is: do you want to make a commission or don't you?

Young. Well, I want to exonerate Danielle. There are two approaches: if you are very honest and tell the truth, then that is good; if you want to try and make the commission, then that is all right, too.

In this particular instance, the business point of view

predominated, with the two dissenters re-defining their position and rationalizing it in terms of the manager's authority: "Okay, if that's the policy". The manager's final comment, at first sight illogical, in fact succeeded in accommodating both sides. This kind of flexible accommodation is necessary in an organization which cannot control the behaviour of its members by decree, because it does not directly control the rewards which the members receive from their work.¹¹⁴

Conclusion

His role as middleman in housing sales, and the commission basis by which he is paid, mean that the real estate agent is in an entrepreneurial career which requires much personal effort and initiative. Successful agents invest much of this effort in the mobilization and accumulation of long-range and less visible resources, particularly good relations with clients and colleagues which constitute their reputations. High success opens new career opportunities at the top for male agents, while low sales pushes people out. Those who achieve intermediate success, and the highly successful with barriers to mobility, establish long-term careers in residential selling.

The working selves and collective perspectives of real estate agents are formed in and in turn influence their relationships with three sets of significant others: buyers and sellers of houses, other agents, and the managers of their company. This network of relationships is analyzed in the next four chapters.

¹¹⁴The internal organization of the residential sales department will be analyzed in Chapters 9 and 10.

Chapter 7

AGENTS AND THEIR CLIENTS:

DYNAMICS OF SHORT- AND LONG-TERM RECIPROCITY.

As has been shown, agents provide services for both vendors and purchasers, and depend upon building up a bank of relationships with these clients for potential repeat business. Three kinds of relationships develop in these endeavours which shall be described here as ideal-types, and explained in terms of these work tasks and career contingencies. The three types are: short-term agent-vendor, short-term agent-potential purchaser, and long-term agent-client relationships.

Although the agent depends upon both buyer and seller for his income, distinct differences emerge in his relations with each:

- (1) he performs different services for each, and comes into closer contact with the potential purchaser than with the vendor;
- (2) the vendor generally signs a contract giving the agent the exclusive right to sell his house within a set period, while the purchaser signs no contract and is not legally bound to the agent in any way; and
- (3) there are more decisions to be negotiated between agent and vendor than between agent and purchaser.

Paradoxically, although the vendor pays him his commission, the agent develops closer personal ties with his potential

purchaser. Lacking contractual control over the latter, his only means of retaining his custom is through satisfactory service. And because he sees much more of him while driving him around town and showing him different houses, the relationship between agent and potential purchaser becomes more than simply an economic transaction. Agents often become friends with their potential purchasers. They have less contact with their vendors, and when they do see them, there is often some conflictive element to the encounter. Agent-vendor relationships are marked by important periodic decisions which can give rise to disagreements over the listing: signing the listing contract, determining its price and terms, showings, price revisions, renewals of the contract, rejection or acceptance of offers, and the terms of counter-offers.

These differences between agent-vendor and agent-purchaser relationships are exaggerated in a buyer's market, and it should be borne in mind that the analysis in this chapter is based upon such a market. Purchasers in a buyer's market are in a strong bargaining position, not only with vendors, but also with real estate agents. Since there is a scarcity of serious buyers, the agent is more dependent upon any one of them than he would be in a seller's market. Similarly, because there is an excess of listings, he is less dependent upon any one vendor. In a seller's market, the vendor would receive better service from his agent both because he is more valuable to him, and because the agent has more time to devote

to his few listings. These market differences are a confounding factor, but would not seem to change the essential differences in the two relationships. Even in a seller's market, the agent spends more time with his purchasers, he has a measure of control over his vendors in the listing contract, and there are more areas for disagreement between agent and vendor than between agent and purchaser.

That the vendor of one sale can become the purchaser of the next softens the distinction between agent-vendor and agent-purchaser, because the same client can be both at different times. The person who buys a house through an agent often sells through the same agent at a later time. The latter depends upon building up a bank of long-term relationships with clients who come back to him for later business, and who refer other people to him. This affords a problem to the agent, because he has no reliable source of control over his clients. He must compensate by building up expectations of good service and obligations in the client to continue dealing with him. The client's feeling of obligation is always weak, so the agent needs to create this feeling in a large number of them in order to build up his business and establish his reputation.

Agent and Vendor: A Relationship of Periodic Disagreement

A listing is an agreement between a vendor and an agent¹¹⁵

¹¹⁵Legally, the contract is between the vendor and the broker. This is important where a vendor becomes displeased with the service of the agent: he can ask to have a new agent assigned to the listing. The broker sometimes reassigns listings through his own initiative where he feels the agent is doing a poor job.

in which the former pays a commission in return for a service, finding a buyer for his house. This includes showing his house to potential purchasers, advertising it by a sign and in newspapers, and informing other agents about it. Agents expect vendors to co-operate by tidying their houses and arranging showings, brokers' inspections, and open houses; and by agreeing to put up For Sale and Sold signs.¹¹⁶

The agent's feeling of obligation is illustrated in the following discussion about advertising during a sales meeting:

Jim Young. Our topic for today is advertising. How many clients do you think we're getting through advertising? The company spends a lot of money every year on it, and there's a feeling we're not getting the calls we did.

Geoff Foster. I've found that I've only got two calls from ordinary ads., but I picked up five calls from spot ads.

Joan Reid. I'm getting no calls lately. I used to have to take the phone off the hook.

Young. But we must remember that it has been a tradition to have that advertising and our vendors expect it. We have to make them satisfied that they're being serviced.

For the company and its agents, advertising is a means of acquiring clients, most of whom do not buy the house that they originally call about. In favourable market conditions, this method is quite successful, but in a buyer's market it is not. The company must continue to advertise, however, because vendors expect it. It is a visible indication that they are being serviced properly.

¹¹⁶Some vendors do not wish it to be public knowledge that their house is for sale, and refuse to have a sign. These "confidential listings" are more difficult to sell; the vendor is willing to reduce his chances of a quick sale for the sake of secrecy.

Vendors' obligations are revealed by the "problem vendor" who does not co-operate about showings, open houses, and signs. Signs are important because they are one of the agents' main sources of acquiring clients.¹¹⁷ The following discussion shows how a skilled agent can play upon a vendor's obligations to have a Sold sign erected.

Young. I want to mention the importance of Sold signs. Peter Kovacs had an experience the other day where the owner took down the sign after two days. Tell us how you handled that one, Peter.

Peter Kovacs. Well, I mentioned to them that I had worked hard to satisfy both parties, and that it was a bit of a feather in my hat with the company to have the sign up there, and I'd really appreciate it if they would leave it up longer. We joked about it for a while, and then when I was leaving I said: "Well, thanks very much for allowing me to leave the sign up!"

Underlying the reciprocity of service for commission and its mutual obligations are differing aims of vendor and agent. The former wishes to get as high a price and as good terms as possible for his house, while the latter hopes for a quick sale and his commission. This difference gives rise to much disagreement between the two.

Initially, there is competition among agents for acquiring a listing and for getting the vendor to sign an Exclusive or MLS contract. Until he has signed a contract, bargaining power favours the vendor. Often, an agent is forced

¹¹⁷The listing agent's name is placed upon For Sale and Sold signs in Montreal, and potential buyers usually phone up the agent when they are interested in a house. In other cities, where the agent's name does not appear on signs, they may be less important. Peter Green, Highgate Realities top agent and an innovational leader in the residential sales department, told me that he introduced the idea in Montreal of having the listing agent's name on the sign.

to accept a listing at a price which he believes to be too high rather than lose it to a competitor. He usually agrees to take such "over-priced" listings, because it gives him advertising and his name on a sign. The agent hopes to persuade the vendor to lower his price later, as the following comment illustrates:

Danielle Tarcot. He (the vendor) bought it for \$25,000; he wanted \$33,000 but I got him down to \$31,000. It will probably go for about \$26,000, but I thought we might as well get the listing. I'll have to squeeze him down gradually.

Some of the more successful salesmen refuse listings where the price is very high, and the vendor refuses to give it for the price he suggests. Negotiation about price then produces an early disruption of the agent-vendor relationship. The process is described in Case 7a.

Case 7a. Agent-vendor Conflict over price. Joan Reid, one of Highgate's top agents, has succeeded in getting a vendor to agree to give her his listing, but they have not agreed over the asking price. While she is away for the week-end, the vendor phones the office, and another agent, Peter Green, goes to estimate the value of the house. The sales manager, Jim Young, brings the case up at a meeting, where it is discussed and concluded as follows:

Young. Well, Joan, what do you think? The man phoned this week-end, and Peter Green went to have a look at the house. The guy decided that he wanted to put the price up to \$43,500. But he says he'll give a \$20,000 mortgage at 5 per cent with that.

Reid. My God! \$43,500! I was hoping we'd get it for about \$35,000, although I was willing to accept \$37,000. Of course, the 5 per cent mortgage is an attraction.

Young. Why don't you go and phone him and see if we can go and have a look at it. You know, Joan, I think he's put his soul into it, but I know that you know what houses are worth in that area better than anybody else.

Reid goes out, phones the vendor, and returns:

Reid. Well, do you know what he says, Jim? He says he wants \$43,500 cash or higher than that with a mortgage. Young. He must be crazy. He'll never get that for it. George Lidstone. No, if Joan says it's worth \$34,000, it looks as though it's not really for sale. We don't want to be wasting our time with listings like that. Reid. I'll just tell him politely that we're not interested in the listing at that price.

Because there is no clear market price for a house, a vendor may sell for the price which the agent refuses. Peter Green gives an example:

Peter Green. I remember once I had a house on Reddale Street. The man wanted to list it for \$75,000. I told him that that was a ridiculous price. He gave the listing to someone else, and they sold it for near the asking price. There were a lot of red faces over that one.

Once the contract has been signed and the asking price agreed upon, the vendor has committed himself. The agent exerts a measure of control over him for the period of the contract, because he is not free to give the listing to another agent.¹¹⁸ Periodic negotiations, often leading to disagreements, continue to arise as the agent tries to persuade his vendor to lower his asking price, to accept offers, to make "reasonable" counter-offers, and to renew the

¹¹⁸This control is the main reason that realtors want contract listings in the first place. The vendor can complain to the company and have a new agent assigned to handle the listing, or the company might agree to cancel the listing. But this takes time and is unpleasant for most vendors. They cannot simply turn to another agent in the way that a potential purchaser can.

listing when the contract expires.¹¹⁹

Disagreement can also occur over how well a listing is being serviced. When an agent produces few prospective buyers, and fails to maintain contact, the vendor feels he is not being treated properly.

Vendor G. The house has been on sale for two and a half years, but the market is slow. I don't know that they're doing their best to get me clients. There has been an average of one showing a month for the past two years. I wouldn't recommend him (the listing agent) to anybody else.

In a buyer's market, there is much turnover of listing agents when contracts expire, and sometimes during the period of the contract when the vendor becomes dissatisfied with his agent's service and complains to the sales manager.

Many agent-vendor relationships, of course, are amicable. As long as the vendor believes that his agent is working hard on his listing, and the agent that the vendor appreciates his efforts, friendly relations can be maintained.

Vendor B. We now have our listing with this fellow White, and I must say he's really wonderful, you couldn't find a nicer chap. He seems to be prepared to work anytime, in the evenings or on the week-ends, he really attends to his knitting. He's a fine fellow. But of course we're dealing in a bad market right now, and it's difficult to sell.

Bob Coles (Agent). It's just like people in all sorts of things. You get on better with some than others. Like that Mr. Koonas. He's a good vendor, but it took lot's of work to get him to sign. He was favourably impressed by all the agents who went to see his house the other day. He's a pretty nice chap.

¹¹⁹Again, note that I am describing an ideal-typical relationship. Agents and vendors do not always disagree over price and revisions. In some cases, an agent will even suggest a higher price where he thinks the vendor is asking too little. He may also be reluctant about lowering the asking price, if he believes that he has a good chance of finding a buyer himself. The high asking price dampens the interest of competitors.

But even when they like and respect each other, personal contact between vendor and agent is minimal. They meet most often when the agent shows the house to a potential purchaser.¹²⁰ Showings themselves can cause friction when one party is late for or fails to keep an appointment. Joan Reid describes one such instance:

Joan Reid. I had a problem with my listing on Woodland. There's a problem with the key. Apparently the woman is working. I had made arrangements to bring a gentleman there between 2:30 and 3:00. He's a busy man and when no one showed up by 3:05 we left. I phoned the woman later; she said she showed up at 3:05, having left work especially to meet us, and she was very put out.

When an agent arranges an appointment for a colleague to show his listing to a client, the conflict can involve the two agents as well. John Mason explains the problem from the point of view of the selling agent:

John Mason. I had a client that I was showing houses to, and I phoned an agent at another company and asked him to make an arrangement to see one of his houses. He set it up for 4:00, but after I had shown my client some other houses we suddenly realized that we were too late to see that house. I didn't know the telephone number of the house, so I phoned the agency. The agent wasn't there, so I asked a secretary if she would cancel the appointment. She asked me what time it was for, I said 4:00 and she said: "But it's 4:30 now!" I explained that we couldn't make it. A few minutes later the telephone rang, and this was the other agent. Boy, was he furious! He told me I had no right to get him to make an appointment and then for me to miss it. I explained to him that we couldn't help it, but he said that I had had to make it, no matter what. He was so unreasonable, I couldn't talk to him. Eventually I had to put the phone down. I guess I just won't be arranging anything with that agent again.

While he shows a house, the agent prefers to have the vendor out of the way so his potential purchaser can feel free

¹²⁰Many showings are conducted by other agents, and the listing agent may not be present even then.

to criticize and express his opinion candidly. The vendor, on the other hand, may suspect that the agent is failing to emphasize the many attractions of his house. The following comments illustrate the two points of view:

John Neal (Agent). Having the owner present really inhibits the client. That's an important point.

Vendor E. I don't think the agents do a very good job in showing people around the house. I'm home but they want me to keep quiet and stay away when they are showing someone around the house. But the agents don't know enough about the house to describe it properly to people.

In general, then, there is little personal contact between agent and vendor. When contact does occur, it is usually to make an important decision and there may be a conflictual element to the encounter. Even when the contact is amicable, there is little opportunity for the relationship to develop into a wider friendship. In this, it differs noticeably from the more personal ties that emerge in agents' relationships with their potential purchasers.

Personal Relations Between Agents and Potential Purchasers

Ostensibly, the purchaser receives a free service, although, as we have seen, the agent's commission enters implicitly into the price and bargaining between vendor and purchaser. The relationship typically begins by the potential purchaser phoning the agent about one of his listings, the purchaser having seen a sign or an advertisement for the house. The agent shows his listing, and then offers to show other houses that might interest the purchaser. If the latter accepts, the two may spend much time together inspecting various houses. When

they find one that the potential purchaser likes, his or her spouse will usually be consulted, and perhaps their children or other relatives.¹²¹

There is little tension between agent and potential purchaser at this stage. There are no major decisions to be made, no contract to be signed, and nothing analogous to an initial listing price. The agent has a greater incentive to give good service to his potential purchaser, immediately because he has no formal control over him and ultimately because the purchaser has to make the decision to buy. Purchasers are free to look at houses with many different agents. Ideally, the agent wants a purchaser who is loyal to him, but he has no means of enforcing this loyalty. He does not really expect it in practice, and disloyalty is not a source of overt conflict in the relationship.¹²²

Since they spend more time with them, agents get to know their purchasers and their families better than they do their vendors. In the process of showing houses, they often eat lunch or have a drink together, and sometimes the two families meet socially. The friendly flavour and its difference from the agent-vendor relationship, is captured in the following comments:¹²³

¹²¹Typically, the agent shows houses to the woman, and when she finds a house which interests her, she calls her husband to come and see it.

¹²²The agent cannot afford to express dissatisfaction when the potential purchaser looks at houses with other agents, as it would mean the risk of losing him altogether.

¹²³In these comments, the agents use the term "clients" to refer to potential purchasers. This usage itself reflects the closer relationship, since legally it is the vendors who are the

Fred Townsend. You get to the stage where you start to know some of the people quite well, where you get quite personal. Sometimes you get invited out socially. That happens quite a lot. For example, last New Year's eve, and a lot of other times. I haven't really run into any bad clients. I guess I've been lucky. Some agents get people who are not serious about buying. I haven't had that yet.

Nancy King (American-born Agent). Several clients that I had have become very good friends. I feel that I am genuinely helping them. A lot of clients really need you to hold their hands all the time. Particularly newcomers to the city. We found when we came here that Canadians are a little bit more reserved, and so it takes you longer before you feel at home in a new place. So we do quite a lot of entertaining of newcomers. When I sell a house to somebody in a neighbourhood, I ring up some of the other people there that I know and let them know.

Pauline Winter. Most of the relationships I have are good. The only thing you have to be careful about is not to get too friendly, or you'll find that you lose them. You can get kind of attached to clients and they to you, and you can spend too long going out with them. That happened to me this summer, I've spent too long going out with the same clients. Three months is too long. I've been going out with them all summer. It's the same routine every day, you get so that both sides start to take it for granted. I really wanted to find a house for these people, I even put off my summer holidays. But now I'm starting to get a bit bored with it, it's been going on for too long. You develop quite a personal friendship with your clients, but it's different with the vendors. You don't see them nearly as much. We're supposed to call them once a week, but we don't always succeed.

Vendor C. The relationship between the agent and ego is much closer when one is buying a home than when one is selling a home, simply because of the physical relationship. When buying one drives around with the agent, goes about the house with him. One has a chance to ask him questions and to joke around with him. The vendor on the other hand has to corner the agent if he wants to talk to him. The client is treated to anecdotes and stories while the vendor has to chase after the agent to ask the most rudimentary question.

The wider friendship obligations can influence agent-purchaser transactions. For the agent, this is usually clients.

advantageous, because it makes the client loyal, makes him feel obligated to buy through the agent, and becomes the basis of a long term agent-client relationship. As Fred Townsend put it: "When you get on personal terms you can really sell." He contrasted the process of a friendship developing out of agent-purchaser relations with the problems involved when an agent deals with someone who is already a friend. I asked him whether it would be difficult to deal with people when you got to know them well personally:

Townsend. Not if it starts with business and then grows into friendship. That's different than if it starts out as a friendship. The other way around like that you might run into problems with divulging finances and things.

The way in which the potential purchaser's feeling of obligation can pay off for the agent is clearly illustrated in the following case:

Case 7b. Potential Purchaser's Obligations. This case is discussed in a sales meeting. The sales manager, Jim Young, praises the agent, Danielle Tarcot, for the way in which she has made her client feel obligated to her.

Jim Young. Well, Danielle had another sale on which she did a tremendous job.

Danielle Tarcot. On that one, I went away for a week-end and my client saw another house that she liked with another agent and made an offer on it. She phoned me on Sunday and apologized. I told her that I had one more house that she might like to see anyhow, and she agreed to go out with me. We looked at that house and then I took her back to Bright Avenue. It was beautiful that day, the sun shining on the house, and there were no school children around. She decided to make an offer and I managed to make the sale.

Young. It just shows what can happen when you make a good service to your client. They begin to feel obligated to you. This woman felt that she should see one more home with Danielle even though she had made an offer on another house.

On the other hand, as illustrated in Pauline Winter's comment, friendship obligations can occasionally interfere with an agent's work when he spends too much time with his new friends. Some, such as Nancy King, develop protective or even paternalistic attitudes toward their clients, particularly toward naïve clients.

Jim Young. And now let's get to the Nancy story. The one on 10 Cairo. How did that go, Nancy? How many houses did you show them? I think Nancy must have shown them all the houses in the books.

Nancy King. I had to hold their hands all the time. For example, on the morning of the sale they had an architect coming to check the house. I had another appointment at that time but I decided to cancel it. I'm glad I did, because if I hadn't, they might have thought about it and changed their minds. You really have to be with them at the right time.

In this case, King felt that she was protecting her clients from their own cautious approach; at the same time she was, of course, furthering her own interests by completing the sale.

Relations with potential purchasers are not always entirely harmonious. The agent resents showing people around who are "just lookers" or who discredit them in front of their vendors. George Lidstone illustrates this in the following anecdotes:

George Lidstone. I'll tell you about three ladies, Marie Lacroix could confirm this, who I took out seeing houses for a couple of years. They would see a house with my name on the sign and phone me to see it on Sunday afternoon. Well, I would take them, but after a while I got fed up with it. They would take a long time getting into the car, they were old ladies, and they would take practically the whole afternoon. After that they went out with Joan Reid, and then Marie. Altogether they must have spent seven or eight years going for free rides on Sunday afternoons! Fortunately you don't get too many of those. I once took out another woman, Mrs. Tricket was her name I think. I had to pick her up way over in Outremont. I showed her a house in Hampstead, and then took her to see a duplex in Montreal West. She saw the house, and came out and stood on the veranda. There were a lot of people about, and she said in a loud voice:

"I don't like the house, I don't like the street, and I don't like the people!" I said: "Come on, I'm taking you home!" That's when I should have told her to take a taxi I guess.

On the other side, the potential purchaser resents it if the agent does not choose suitable houses, and is not well-informed about the ones he does choose. Teresa Verge once made this mistake:

Teresa Verge. I did a silly thing, you know. I tried to show a man a number of houses I didn't know anything about. They weren't very good ones so now I'm afraid I'm going to lose him. I phoned him and said I have some better ones to show him, but he said he had to make up his mind whether he wanted to rent or buy.

Disagreement similar to that between agent and vendor occurs when the client is making an offer or deciding whether or not to accept a counter-offer. The agent tries to persuade him to offer as high as possible. He may even refuse to present a very low offer. This can occasionally backfire on him:

Jim Young. I'd like to mention one more situation. One of us recently refused to take an offer on a house because he had a previous offer that was higher but was turned down. So the client went to another agent who made the offer and sold the house. The first agent came back to us, but we figured he deserved to lose the sale. The lesson is to never, never, never refuse an offer.

When an agent finds a house which he really believes his client should like, but does not, he feels resentful:

Fred Townsend. I kept telling him that 8 Bellevue was better than Trent, it's one of the few modern houses that I really like. They're the same price. I told my client there was no time for her to make up her mind, and I thought this was really a nice house. But she turned her nose up at it. I wouldn't tell her that I thought the house was a really good buy unless I was telling the truth, but of course she had no way of knowing that. She thought it was just the same old sales talk.

A more unusual source of disagreement is where a purchaser

tries to involve the agent in an unlawful deal or one which would have him break the rules of the Montreal Real Estate Board. The client may try, for example, to persuade the agent to take a cut in his commission so the vendor will accept a lower price.¹²⁴ Joan Reid explains how the rules of the Board are a protection in such circumstances:

Joan Reid. It's not a law, but it's a fixed rule (the minimum commission rate) that we have to abide by. I'm glad they have it, because sometimes there's only your commission difference between the vendor and the purchaser, and they try to make a deal with you to sell for a lower commission. I always tell them there is a fixed rule preventing this. I've never sold below the set commission.

A purchaser occasionally tries to implicate the agent in deals where he attempts to disguise his real buying price to keep his tax rate low. Jim Young gives an example:

Jim Young. I had a call from another agency. They had a client who wanted to deal under the table. That sort of thing is against our principles. This guy wanted to pay \$48,000 but show only \$30,000 on the books. These are real dynamite you know. We say to our clients: "Put it in black and white and register it as a \$1.00 deal."¹²⁵

Instances of serious disagreements which terminate relationships between agents and potential purchasers are

¹²⁴Such a procedure may also be initiated by the vendor, or the vendor and purchaser may collude to put pressure on the agent. These examples are interesting counterexamples of a popular stereotype of the real estate operator as the instigator of such illegal or unscrupulous deals.

¹²⁵This means that the city tax assessor cannot use the sale price as a basis for setting the evaluation for tax purposes. The purchaser in this case wanted to register an incorrect low price which might then be taken as the basis for the assessment.

exceptional, friendly relations being more common. When their efforts culminate in the purchaser buying a house which he likes for a price he can afford, a firm basis is laid for a long-term relationship. Such long-term relationships with their clients are of major importance for real estate agents.

Long-Term Agent-Client Relationships: A Problem Of Control

For any one sale, agent-vendor and agent-purchaser relations are separate, short-term affairs. But the purchaser of today is the vendor of tomorrow, and the vendor of today is often interested in buying another house in the area. This repetition makes long-term relationships possible. An agent needs to build up a bank of such repeatable relations, as he gets much of his business from referrals and from former clients returning to him for new business. Ideally, he would like to establish a professional-client relationship similar to that of lawyers, family doctors, and dentists where the family would recognize him as "our real estate agent", just as they refer to "our lawyer", "our dentist," and "our doctor." In practice, this is seldom realized.

The problems for the real estate agent are that his services are needed only episodically and he lacks a reliable source of control to ensure his client's loyalty. This becomes obvious when we compare his position with the more established professions. Doctors, for example, have been able to establish greater control over their clients for a number of reasons.¹²⁶

¹²⁶See Eliot Friedson, "Client Control and Medical Practice," AJS, 65, 1959-60, pp. 374 - 382.

they provide a more crucial service; the client is less capable of judging his doctor's performance; clients often feel in some awe of their higher-status doctor, but not of their equal or lower-status agent;¹²⁷ doctors have managed to establish a legal monopoly for their services, real estate agents have not; doctors restrict entry into their occupation, agents do not, and there are therefore fewer alternative doctors to choose from than there are agents; there are insitutional restraints upon soliciting others' clients among doctors, but not among real estate agents -- not only are other agents easily available, but they actively attempt to win the client from their colleague.

In terms of control, then, there is an imbalance of power-dependency in the agent-client relationship in favour of the client.¹²⁸ The client simply wants the agent's help in buying and selling a house, while the agent depends upon his clients for his livelihood. Long-term agent-client relationships, in the sense of periodically reactivated do, however, develop. The agent's problem is to tie his client to him in some way while lacking a reliable means of control. The agent aims to create favourable expectations and obligations in his clients so

¹²⁷Of the 320 occupations included in the 1961 Blishen socio-economic index for Canada, physicians and surgeons ranked fourth on the scale (index score of 75.57), and real estate salesmen and agents ranked 93rd (index score of 48.74). Most of those who ranked above real estate agents are the middle class people who are most likely to own their own house. The Blishen scale correlates .919 with the Pineo-Porter prestige scores, indicating that these relative rankings reflect public attitudes toward the two occupations. See Bernard R. Blishen, "A Socio-Economic Index for Occupations in Canada," Canadian Review of Sociology and Anthropology, 4, 1967, pp. 41 - 53.

¹²⁸See Richard M. Emerson, "Power-dependence Relations," ASR, 27, 1962, pp. 31 - 41.

that they feel bound to refer other people to him, and to come back to him themselves for their future real estate transactions. The agent tries to maintain an imbalance of obligations in the relationship in which the client is continually in his debt. This is a particular type of relationship that we can call "imbalanced reciprocity."¹²⁹ Unlike a long-term relationship, such as friendship, where each side is equally dependent upon maintaining the connection, in the agent-client relationship the agent depends more upon the relationship being maintained. To accomplish this, he tries to obligate his client to him by providing good service that goes beyond what the client "could reasonably expect."

To a certain extent, the development of obligations on behalf of the client is built into the commission system itself. Although the agent spends more time and develops a closer relationship with the prospective purchaser, it is the vendor who actually pays his commission. The purchaser receives what, superficially at least, appears as a free service. He realizes that the agent is rewarded for his efforts, but may feel a sense of obligation to give his house as a listing to the agent when he later decides to sell himself, when he will have to pay the commission. Most long-term agent-client relations begin with

¹²⁹This distinguishes the relationship from the more common "balanced reciprocity" which has been extensively analyzed by anthropologists. See Marshall D. Sahlins, "On the Sociology of Primitive Exchange," in The Relevance of Models for Social Anthropology, ed. by Michael Banton, ASA Monographs (New York: Praeger, 1965).

the client as purchaser. Four of the thirteen vendors we interviewed gave their listing to the agent through whom they had bought. The following excerpts from their interviews give their reasons:

First Excerpt

Interviewer. How did you go about selling your last house?

Vendor H. First we tried to sell on our own, because the commission takes a large chunk of your money. But I didn't like showing the house to all the people. So I got sick of the thing and phoned the agent that sold us the house.

Interviewer. Why her?

Vendor H. She was the only agent that we knew. She's an agent that you can trust.

Vendor H. also bought her current house and listed it through the same agent.

Second Excerpt

Interviewer. How did you decide who to list your house with?

Vendor D. We have it listed with someone I know at Crownhead Realities.

Interviewer. When you bought this house, how did you go about it?

Vendor D. Well, we looked in the paper, and looked at the signs. We got this one through an ad. We phoned up the agent at Crownhead, the same one that has the listing now.

These cases also show that the client's sense of obligation is usually relatively weak. Clients can easily be lured away by competitors, as in the following instance:

Third Excerpt

Interviewer. How did you choose your agent?

Vendor C. I was looking for some apartments and the man who showed me some asked me if I was planning to sell my house and told me he knew of a good agent. A few days later Joe Featherstone phoned up and asked me if I wanted to sell the house, and I agreed. The house has been on the market for four months. The last time we sold a house it was on the market two days.

Interviewer. Why didn't you contact the agent who sold your last house?

Vendor C. If Mr. Featherstone had not phoned up, I probably would have phoned the other agent. I think it is my passive nature that made me accept Mr. Featherstone's offer.

Sometimes a vendor will offer the listing to an agent with whom he saw houses as a purchaser but through whom he did not actually buy, because he was favourably impressed by the agent's efforts.

George Lidstone. The listing I got last night was from a client that I had once taken out who eventually bought a house directly from the seller. He told me that his wife talked it over, and decided that I had worked hard with them before, and could have the listing. They are also looking for another house to buy. I should be getting more calls like that, if I were I would be making more money.

These examples show how the relationship is more important to the agent than the client. Because the client's feeling of obligation is weak, the agent needs to build up many such contacts to increase his payoff.¹³⁰ The contacts are also a source of referrals, and of the agent's general reputation. The most successful agents get most of their business through referrals and new business from old clients. Highgate's three top agents all stressed this:

Peter Green. Most of my listings and clients come through hearsay, through recommendations from people I've dealt with before. Private contacts are the main

¹³⁰We can illustrate this hypothetically. Assume that there is a .3 chance that a purchaser who has received good service and feels a weak obligation to the agent will give his listing to him. If the agent has established 20 such contacts, he will receive 6 listings in this way. If he has established 100 such contacts, he will receive 30 listings.

thing. You have to build up, and keep in contact with people.

Marie Lacroix. I get lots of referrals from people whom I've sold houses to before. I seldom go out and look for them (listings and clients). It's mainly people who have bought from me before. This Mrs. Lanvin, who has just called me, I sold her a house in '62 when I was just starting.

Joan Reid. I've worked in this area for a number of years and it seems that not too many agents know about it. Most of these people I've sold houses to in the past, and they must have been satisfied because they called me up when they wanted to sell again. And of course people that I've helped in the past refer other people to me.

The way in which an agent can build up contacts to establish a good reputation and thereby increase his business, is illustrated in the following examples. The first is described by a vendor, and the second by an agent.

Examples 7a and 7b. Good Reputation

7a. Vendor K. Mrs. Brown sold us this house, and our other one on Crawford Street. We bought this house twelve years ago on her advice. I'm a great admirer of hers, I've no doubt that she will sell this house. Every year she comes out as one of the top agents of the city. I've recommended her to many people.

7b. Nancy King. I'll have to tell you how I got that listing. The man called me and said that he heard I was the fastest agent in town, but he wouldn't tell me how he got my name. He's a funny guy. I can't understand why he wouldn't tell me. Mrs. Jones from Crownhead was after it as well. I don't know what happened to her, and I didn't bother to ask him.

Conversely, an agent can hurt his chances by failing to establish a favourable impression in the short-run or reputation in the long-run. Examples 7c, related by a vendor, and 7d, by an agent, illustrate this.

Examples 7c and 7d. Unfavourable Reputation

7c Vendor C. Every time I saw this woman (the agent who had sold her the house which she now had for sale with another agent) in the supermarket or a store she wouldn't ask me how I was enjoying my house or whether I was still pleased with it, she simply asked me if I was ready to sell it. She was probably quite peeved that I had not gone to her to sell the house! (Said with obvious satisfaction).

7d. George Lidstone: I had a serious client for Gagnon's house, but he eventually bought from another agent, after someone told him that I always favoured the vendor.

Clients come back to their old agents who have given good service in the general expectation of receiving it again in the future. For the top agents, good service is not a passive matter. They actively and consciously attempt to place their clients under obligation. They do this by providing extra services "beyond the call of duty," and through free advice, gifts,¹³¹ and compliments. The agent invests time and effort to provide services and extras for his clients in order to build up feelings of obligation toward him, in the hope of more leads, listings, and sales in the long-run. Jim Young explained the strategy and gave many examples during a meeting:

Jim Young. You'll find that the best clients are sources of referrals to other clients and vendors. The best agents, the ones who make the biggest success in this business, are those who give their clients such a good service that the client comes back to them when they are selling their house, and who refer their friends to the agent. We have some agents here who get a great deal of business through referrals. Marie is not here so I can use her as an example. She gets a great deal of business through referrals, and this shows that she gives her clients a good service. Some of the agents are not getting any referrals, and this indicates the opposite, that they are not giving a good service. Some

¹³¹Again, contrast this with the doctor-client relationship, where tribute is often offered in the opposite direction, from the client to the practitioner.

agents even fail to show up for the signing of deeds. This is ridiculous. I can remember Dr. Jackson. He said to me after he had signed the deed for a house that I had sold to him that I hadn't said a word, just sat there. I told him that I just wanted to be there in case anything didn't go smoothly, and the fact that I hadn't said anything meant that things had gone smoothly. I sent the buyer some flowers after they moved in. It's the little things that count, they never forget you.

The key thing is that extra little service beyond the call of duty. For example, your finding a tenant for that buyer of yours, Mrs. Crawford. I think that Peter Green has a very nice habit. He takes the choice roses out of his garden and sends them to the buyer. At Christmas, of course, you send a card to your buyers. It's those small things that they remember. Always be polite, and never get angry with a client. Look, I'll give you an example of what I mean.

One time I had a client who I spent days and days showing houses to. Eventually, I heard of a house that I thought he would like, but it was another agency's Exclusive listing, a new one so they wouldn't give me a split. So I explained to my client and told him to phone up the other agent and ask to see the house. He did and he bought the house. I didn't make a cent on it. Instead of getting angry and giving him hell, I phoned him up and congratulated him on finding such a nice house and wished him happiness in it. Well, when he came to sell his house a few years later, he phoned me up, not the agent who sold him the other house. Lately, one of our agents phoned up a client and gave him hell when he bought from somebody else. That sort of thing only creates bad feeling.

It's these little things that count. I don't know how many times I took a new owner out to dinner before they'd had a chance to get organized. Our aim should be to make our clients into lifelong clients. Another thing that I used to do was to keep a record of all the people to whom I'd sold a house. I had a card for everyone to whom I'd sold. If you see the name of one of the people to whom you've sold in the paper for a promotion, send him a personal note. Another thing that's important is remembering names. Some people are not too good at that, but you can improve with practice. A lot of people feel really good when you remember their names, especially people with strange names. I had a vendor one time, his name was Mr. da Miguella. When I went to see him first, I wrote his name on the palm of my hand. I kept saying: "Yes, Mr. da Miguella," "No, Mr. da Miguella." I could see his

eyes light up as I said it. I was with one of our agents the other day who said to one of his vendors, "Gee, you've got an exotic name!" He didn't look very happy. Finally, let me mention rental clients, they should get the same service, many of them turn out to be buyers, either today or some time in the future.

For "preferential clients", agents offer more elaborate services in an attempt to place them under obligation.

Preferential clients include those who deal in very expensive houses, and speculators and other investors who buy and sell many houses.¹³² Vendors of very expensive houses where the commission is high, are handled more carefully both by the company and by its agents. Whereas as many as 12 or 15 agents may troop through an average house that has just been listed during a caravan, the owner of a very expensive listing is presented with only 3 or 4 top agents, usually accompanied by a manager. Speculators are very desirable clients because they buy houses and sell them again quickly, allowing the agent to make two commissions.¹³³ Investors are desirable clients because they may buy 3 or 4 houses within a short period. Peter Green sold 24 such houses to one client. In order to keep the investor obligated, the agent takes on certain extra services.

¹³²Glaser and Strauss propose as a general formal proposition that "professional services are distributed according to the social value of clients." In real estate transactions at least, this "social value" is restricted to potential economic value for the agent. See Barney Glaser and Anselm Strauss, The Discovery of Grounded Theory (Chicago: Aldine, 1967).

¹³³Because of the poor market, there was little speculative buying during the period of my research. Speculators are sometimes helped by agents telling them about bargain deals.

The most important is renting and managing the client's houses. Generally, agents are reluctant to do this because it gives a low rate of return for the work involved. But for an investor, they are more willing because they expect to make further purchases on his behalf. This strategy is outlined in the following discussion between Young and Teresa Verge. Verge has just sold a house to an investor, is in the process of finding a tenant for it, and is trying to decide whether or not to manage his property and what rate of commission to charge.

Teresa Verge. He wants me to manage the property. Should I ask for 6 per cent in addition to the rental commission? I have some clients coming in a few minutes who are interested in renting.

Jim Young. I used to look after a lot of houses for clients without charging them unless I had to put in a lot of time. If you have to do that explain to him that your time is your money, and you have to charge him. I used to do it so that I would keep the client, especially a man like that.

Verge. That's what I was thinking of.

Agents also have obligations. When he asks the agent to provide some minor service, or refers somebody to him, the client expects that he or the person referred will be treated well, even if the agent incurs costs with little chance of profit. The following examples illustrate this; the first is described during a sales meeting by the Highgate agent involved, the second by the son of an outside agent.

Examples 7e and 7f. Agents' Obligations

7e. Joan Reid. I have a problem right now with some people in an apartment in Port Saunders. They phoned me and wanted me to sublet the apartment for them and sell their furniture. It's a real headache.

Jim Young. Are they potential buyers?

Reid. No, they're not now, but it's a personal thing and I feel I have to do something.

7f. Son of Outside Agent. Mom is now on holiday. She has gone out to British Columbia where a friend of hers has gotten married. Dad was going to go too, they were all set to leave at 11:00 one night, and got a call at 10:00. It was some man who had just come into town, was referred by another of Dad's clients and was all ready to go looking at houses. So Dad called off his trip.

Interviewer. Do you think that's because, partly at least, he felt an obligation to his other client, the one that referred this man to him?

Son. Oh yes, definitely. When he finished with that client he was going to Vancouver, but the same sort of thing happened again. Then it happened a third time, and by that time it was too late for him to go.¹³⁴

The agent must fulfill his obligations. Not to do so would disadvantage himself with his client and destroy the latter's obligation to him. By accepting the referral and providing good service he can continue the imbalance in his favour.

Conclusion

Their work and its requirements for career success give rise to three kinds of relationships between agents and their clients. Agents and buyers spend much time together in non-contractual relationships, and often develop friendly feelings toward each other. The buyer, who ostensibly receives a free service, comes to feel obligated and is likely to give further business to the agent later. Agent-vendor relations, by contrast, are more businesslike: a contract is signed, there is less social contact, and disagreements are common as contract terms are periodically renegotiated.

To be a success, the agent needs to build up a bank of long-term relations with clients. He is helped to some extent

¹³⁴This is probably a somewhat extreme example. The agent involved worked for a small company. In such a case at Highgate, the client would have been referred to a reliable colleague.

by buyers' obligations in the short-run. But, on the whole, he is the more dependent party. Given this imbalanced reciprocity, he must actively create obligations in his clients by extra services and gifts. In his manoeuverings, the agent competes freely with many other agents from his own and outside companies. We turn now to consider this other aspect of his occupation.

Chapter 8

STRUCTURAL AMBIVALENCE IN RELATIONS AMONG AGENTS

Their work forces real estate agents to compete with each other for scarce sales and listings. On a daily basis, this competition combines with the need for mutual co-operation in negotiating sales to produce highly ambivalent relations among agents. In the long-run, differential sales success gives rise to marked income differences which are in turn the basis of sharp prestige distinctions within the occupational group. Relations among agents, then, are characterized by:

- (1) structural ambivalence, and
- (2) a clearly defined prestige hierarchy.

I will use the term "structural ambivalence" to convey the strong built-in pressures for both competition and co-operation on a daily basis with the same colleagues. To succeed, agents must compete for scarce listings, clients, information, and sales. At the same time, they must co-operate to negotiate sales, exchange leads, and service clients while on holiday. Many aspects of agents' behaviour with each other can be explained in terms of this structural ambivalence: secrecy and mutual suspicion, friendly relations in daily contacts, impersonal forms of expressing hostility, co-operation on a situational rather than a personal basis, and an avoidance of social contact outside the work situation.

These characteristic features of the relationships are not

confined to agents who work for a single company, but cut across company lines. Agents find themselves competing and co-operating with colleagues from other companies.¹³⁵ These cross-cutting ties weaken an agent's attachment to and dependence upon the firm for which he works, and encourage a high rate of inter-company mobility.

The Income-Prestige Hierarchy

The commission system rewards agents directly for negotiating sales. The more houses he lists and sells, and the more expensive the houses, the more money he makes. Income levels directly reflect differences in ability. Within a single department, such as the Head Office residential sales department of Highgate Realities, income ranges from approximately \$5,000 to over \$25,000 in any year.¹³⁶

Income differences among real estate salesmen are highly visible. Top agents are given better offices and other company privileges,¹³⁷ they maintain higher living standards and go on more expensive holidays than the others, and they are continually being praised by colleagues, managers, and competitors for their selling prowess. At Highgate Realities, all new sales and listings are recorded in the Notes For Salesmen which are

¹³⁵For this reason, agent-agent relationships are discussed here rather than in the following chapters which deal with the internal organization of the residential sales department at Highgate Realities.

¹³⁶This figure varies considerably from year to year as market conditions change, and as star agents join and leave the company.

¹³⁷These will be discussed in the next chapter.

distributed to all agents, a running record of each agent's performance for the month is kept on a blackboard in public view, a top selling agent and a top listing agent are chosen every-month,¹³⁸ and the relative performances of the company's agents are compared at the end of each fiscal year. The managers use this publicity as an incentive for the successful agents to maintain their performance and for the less successful to aim higher. The following excerpts from sales meetings illustrate this. The first is a discussion of performances for one month, the second for a year:

Excerpt 1. Monthly Performance

Jim Young (Sales Manager). Now we come to the stars of last month. The top salesman was Len, who had three sales, which was pretty good for such a bad month. The top lister was Peter Green and the runners-up were Dan Nester and Fred Townsend. Three people had none at all. It's the name of the game you know. I saw Fred's picture in the paper for a Montreal Real Estate Board contest. That's pretty good. We'd like to see more of our agents in there. Betty Stein (a star agent from another company) is in there all the time.

Excerpt 2. Annual Performance

Young. Now let's look at the year's record. (He puts the ten top agents up on the board in order of rank, and comments on each).

1. Peter Green--an excellent year throughout.
2. Joan Reid--only about \$1,000 in the difference (in income from Green) due to Joan's strong finish.
3. Marie Lacroix--she isn't here, it was the best year of her career. In her first year here Marie made \$10,900, in her second \$14,900, and this year \$20,000.
4. Dan Nester--it was the best year I can remember Dan having.
5. John Neal (he makes no comment about this agent who is also a company director).

¹³⁸Their only extra reward during most of my research was public praise by the sales manager and other agents during a sales meeting. For some months they were given a dinner for two by the company, but this practice was discontinued when market conditions worsened.

6. Nancy Green--last year we couldn't figure out what quota to assign to Nancy, but we set it at \$8,000 and she beat it by \$5,000. Nancy got to work, joined lots of organizations . . .
 7. Fred Townsend--very good for his first complete year in this business, he also beat his quota by a couple of thousand dollars.
 8. George Lidstone--very close to Fred, George can tell you what happens when you take a one month holiday, it takes another two months to come back.
 9. Rosemary Crawford--after a month with Blueshields (an outside company) we gave her a quota of \$5,000 and she beat it by \$3,000
 10. Len Brooks--Len was away for six weeks so I guess that made a difference of \$3,000 for him.
- Well, I could go on down the list. We've made up new quotas for next year based on past performances. It's interesting to note that the people who are producing don't complain. Don't go in a corner if you have a complaint but come and see me. We all need to ask ourselves how we can improve ourselves in the standings.

Information about relative performance is also readily available across companies. The real estate board publishes statistics about the top MLS salesmen, and agents from different companies assess their respective colleagues. The following discussion involving reference to an outside agent, Betty Stein, is typical:

Teresa Verge. Bill Jenkins left Highgate when he got this offer of a manager's job. I wonder how much managers get?

Len Brooks. About \$18,000 basic, plus usually 2 per cent on sales.

George Lidstone. He could live on Betty Stein's sales alone!

Verge. She only does so well because she gets there first. If she wasn't there somebody else would make it.

Brooks. I don't know, she might talk a few people into something.

Lidstone. She gets all the referrals. She gets all the Jewish clients. They all pass it around about a certain agent. It used to be Jean Silverman, then it was Joan Reid, now it's Betty Stein. They talk about it at the synagogue.

The relative success level of two agents affects their dealings with each other. The top agents are in a powerful position because they have more listings and clients, and because they are more skilled in sales negotiations. An agent from an outside company explained this succinctly:

Outside Agent. Every agent knows every other agent's position and it really makes a difference when they're dealing with each other. Say a new agent has a listing, and one of the more successful agents gets an offer. Then the new agent will do whatever the other agent suggests. He wants to get into his good graces.

Where two agents are co-operating to complete a sale, the more successful one usually conducts the negotiations. Peter Green describes an instance:

Peter Green. I had a case a little while ago. An agent from Charmands (outside Company) had a client for one of my listings. He wasn't too sure about how to handle his client, so he asked me to go with him. I did, and I managed to put through the sale.

There is some exchange of advice for deference between stronger and weaker agents as the following discussion illustrates:

Jim Young (Sales Manager). How about that listing of yours, Bill? Have you thought about putting it on M.L.S.?

Bill Wells (Weaker Agent). We were considering it, but you didn't think it would do much good, eh Pete?

Peter Green (Stronger Agent). No, I didn't say that. It would increase the commission charges, but it might sell better.

Wells. Okay, if you think so, it'll go on M.L.S.

This kind of exchange is similar to Blau's findings for a Federal Enforcement Agency,¹³⁹ but is not common. The successful real estate agent receives much reward for his better performance without having to rely upon the deference of less successful

¹³⁹Peter M. Blau, The Dynamics of Bureaucracy (Chicago: University of Chicago Press, 1955).

colleagues. High-status agents prefer to deal with other top agents who have more listings and information to offer, leaving their lower-status colleagues to co-operate among themselves.

Competition, Secrecy, and Suspicion

The concept of "structural ambivalence" is more complex and less obvious than "prestige hierarchy," but is fundamental to understanding relationships among real estate agents. There are unavoidable elements of competition and conflict, and also of co-operation that make the relationship between any two agents typically ambivalent. This structural ambivalence produces a psychological ambivalence in their attitudes to each other and to their inter-relationships. I shall first outline the forms of competition, and show how secrecy and suspicion are responses to them, and then discuss co-operation, ambivalence, and collective adjustments to this ambivalence.

Agents compete mainly for scarce listings and clients, and in negotiating sales. This competition inevitably gives rise to resentment and periodic conflict. The following examples illustrate the three main forms of competition:

Example 8a. Competition Over a Listing. Fred Townsend has picked up an Open listing from an expired MLS of another company. Peter Green says that it had been his Open listing before the other company got it, and that it should still be his. The problem is raised in the following discussion, which also demonstrates the department's lack of formal procedures for dealing with such recurrent problems, a feature that will be explored in Chapter 9.

Fred Townsend. This one on Round Road is an old listing I have revived.

Peter Green. Let me tell you about it. It's an old open listing of mine which has since been on MLS with another company and I believe that Mrs. Reid claimed it at one point (she shrugs and says nothing). As I told Fred, it's still my listing until he gets a contract.¹⁴⁰

George Lidstone. No, I don't think so, Pete. It doesn't belong to the original listing agent when another company has had an MLS on it.

Green. Oh, yes it does, it's still on our books.

Nancy King. Let's ask Jim, Jim's the boss.

Townsend. As far as I'm concerned, if one agent just lets the listing go, and another agent revives it, he deserves to have it.

Green. He only deserves to have it if he gets it on an exclusive basis.

Jim Young (Sales Manager). It seems to me that if one agent brings it to our attention, he deserves the credit, but we have to get it straight.

Joan Reid. I think we should have a policy that it's that agent's responsibility to bring it to the attention of the original lister.

Young. Well, is that okay as a rule?

Townsend. Not in this case, because I didn't even know it was an old open listing of Peter's. I got the lead from an expired MLS.

Green. Well, if you'd kept up-to-date with our records here you would have known we had it on file.

King. We had a case like this about 18 months ago and Don (general sales manager) arrived at a decision then.

Young. I'll see what was decided then, and we'll abide by that. We have a lot of agents here, so it's inevitable that somebody's going to step on somebody else's toes occasionally.

Example 8b. Competition Over a Potential Purchaser. In this case one agent brings a potential purchaser to see a house listed by a colleague. The listing agent already knows the client (potential purchaser), and she tries to win her from the selling agent. The case is described by the selling agent involved, George Lidstone:

¹⁴⁰According to unwritten company policy, agents are free to compete with each other to try and convert open listings into contract listings.

Lidstone. One time, when Joan Reid was working for another company, I had a client to take to one of her listings. The house was vacant so she met us at the door with the key. What should she do when she met my client but throw her arms around her and give her a big kiss. She had known her before. Anyhow she threw her arms around her, and said: "Oh, I thought you would have wanted to buy a house through me!" Then she took her by the arm and started to show her the house. I said: "Wait a minute, this is my client!", and I started to show her around. The poor woman was really upset. She went around the house but I'm sure she didn't see a thing. In the end she went and bought from somebody else, and we both lost out. I told the agents that Joan had given her the kiss of death!

This case is unusual in that the client was implicated in the conflict, something agents usually try to avoid because it can, as in this case, kill the deal.

Example 8c. Competition Over Offers. Competition can lead to much bad feeling when two agents present offers on the same house, particularly if the first offer is refused. This example is described by the successful selling agent involved:

Frank Martin. I had a funny case over the week-end. There was this house belonging to Mr. Breen, that was his name. Mrs. Crawford and I both got an offer at the same time, but hers came in first. It was for \$30,000 all cash. Mine was for \$30,000, but only \$10,000 in cash. I went to see Mr. Breen with my offer. We talked for about two hours. Finally, he said that he already had an offer of \$30,000 all cash. I didn't know at the time whose offer it was. He told me that the offer was going to expire in two hours, and that if I could get the same offer, he'd accept mine. I don't know why, but I asked him to make a counter-offer of \$30,000 cash. I took it back to my client, and he accepted it. So I sold the house. Mrs. Crawford was pretty upset, there was a big fight after. I don't know why the vendor decided to sell through me. Perhaps she rubbed him the wrong way or something.

There are also secondary sources for conflict among agents.

Many pertain to the control and dissemination of information. A common practice is for an agent with a new listing to keep it secret until he has shown it to his own potential purchasers

first. Only later does he record these secret or "pocket" listings in the Notes to Salesmen or mention them during a sales meeting. This practice is officially frowned upon by the company because it lessens the chances for a quick sale by one of its agents, but is implicitly acceptable among the agents as long as it happens only occasionally. The following excerpts from sales meetings show the attitudes toward these pocket listings. The sales manager, Jim Young, represents the company's position.

Excerpt 3.

Young. Mrs. Payne (a Highgate agent at a branch office) sold a house on Westerner, I don't believe there was a listing registered.

Peter Green. No, there was no listing registered.

Young. We'll have to look into that. When you get a new listing the details should be dictated at once.

Excerpt 4.

Rosemary Crawford. I have five new listings. I had an offer on this first one two weeks ago, but the counter-offer was unacceptable.

Young. Let me get this straight. You had an offer two weeks ago, and you are just putting it on the market now!

John Neal. Very good, Jim.

Young. (facetiously). Well, that's a lot of nice fresh new listings !

Hoarding information takes other forms as well. There is a master file in the company's main office with particulars on a separate card for each listing. The master cards are supposed to be kept in the file, but often an agent will have a client interested in a house, only to find that the card is missing because another agent, who also has an interested client, is hoarding it. Similarly, the company keeps a key or two on file for the vacant houses it has listed. An agent is supposed to use the key to show the house and then return it immediately, but, if he has a serious client, he may "forget" to return the key.

so that other agents cannot show the house. It is very difficult to detect who hoards missing cards and keys, and it is always possible that it has been genuinely mislaid. The offended agent can only report the problem to the manager, who then makes a general moral appeal for the return of the missing item. Again, the resulting tension may be relieved by joking. The following discussion illustrates the problem:

Young. Well, the missing card department: the card for 622 Roxanne was missing last week, and Mr. Lidstone was desperately looking for it. These cards must be kept in the file. If you want to refer to them, refer to them there. If you have to take one out, leave your name so somebody can get it if he wants it. You know, we had one agent who used to work for us, when he left, we found ten cards in the drawer of his desk! He was too lazy to keep his own books up-to-date.

George Lidstone. It's no good on your desk, Mrs. Crawford, I hope you're listening. (Jokingly).

Rosemary Crawford. It was not me!

Fred Townsend. (Also jokingly). Oh, yes, she's the type!

The most aggressive form of hoarding is simply to refuse to divulge certain crucial information. Typically, it involves a listing agent either refusing to arrange an appointment for another agent to show a house, or refusing to let the other agent know the telephone number so that he can arrange a showing himself. The following instance involves a listing agent from an outside company:

Young. Frank has an offer on a house, a good offer, but the other agent from another company says she doesn't know where the vendor is. She just says: "He's somewhere in Vancouver."

Frank Martin. She knows where he is but she won't tell me. She already called him and he said that he doesn't want to make a deal by telephone. I asked her to give me his number but she wouldn't.

When one agent refuses to co-operate, the other may retaliate. In the following case, the outside agent resorts to

what is considered the most "unfair" form of competition, trying to talk a party out of a sale negotiated by another agent.

Green. One thing about that deal was that Mrs. Tangent tried to kill it. She tried to talk the purchaser out of it. She phoned me up and wanted the key to look at the house, but I refused it. I could do that because it was my exclusive listing not an MLS. I told her a deal was cooking.

Jim Young. Yes, you've got to be careful about that. If you have a sale brewing, and Betty Stein (outside agent) phones up wanting to know who you're selling it to, don't let her know, because she might kill the sale.

Competition and the secrecy it engenders give rise to much mutual suspicion among real estate agents. Whenever a fellow agent fails to co-operate in some way, they suspect that he is trying to further his own interests at their expense.¹⁴¹ The following incident illustrates the process.

Example 8d. Suspicion. Rosemary Crawford has a client that she wants to show into a particular house listed through MLS with an agent in another company, but she is having trouble arranging a showing. The incident begins with her trying to make the appointment by telephone. When she has difficulty, she turns to discuss it with two other agents who happen to be present.

Rosemary Crawford (on the telephone). I must get an appointment . . . Is the house for sale or isn't it? . . . You can't have another appointment at the same time today, that's what you said before . . . This house is an MLS and I want to see it. (Aside to Fred Townsend) this sounds very fishy to me.
Townsend. Very fishy indeed. Where is it?

¹⁴¹Tamatsu Shibutani argues as a general principle that human beings invent explanations whenever they are faced with a gap in their reception of information about some event that is important to them. Improvised News (Indianapolis: Bobbs-Merrill, 1968).

Crawford. The True Trust Company. (Aside to Bill Wells)
They don't let me into the house!

Wells. Who's the listing agent?

Crawford. Mr. Peters.

Wells. He must have an offer on it.

Crawford. (Aside to me) Don't go into this business!

Suspicion is common because many such instances occur where the agent cannot be sure whether the other agent is dealing fairly with him or not, and there are many known cases of sharp dealing to give credulity to his suspicion. Most agents profess to be honest and fair themselves, but are not so sure about many of their colleagues: "I've attempted to co-operate as much as possible, but of course this is a cut-throat business." The following statement is perhaps more extreme than most:

Janet Tate. I wouldn't encroach upon anybody else myself, but that's an exception. I had a door shut in my face the other day by an agent who was talking to Jim Young. He thought I'd overhear. I think that's childish. Some agents are so unethical it's just not funny. Even here you have to keep quiet about things. I usually wouldn't mind saying I have an offer but I've learned not to say that around here. Some agents really try to block things -- they're bad agents because they try to act for themselves, not for their vendors. If an outside agent presents an offer, they try and persuade the vendor that it's a bad offer, because they might have something cooking themselves.

The impression given so far is of highly competitive, often openly conflictual, relationships among agents with much secrecy and mutual suspicion. But there is another, equally important, side to their relationships. Indeed, some of the examples of secondary conflict already presented have arisen from abortive attempts at co-operation. Before we can properly

understand the individual and collective adjustments to competition among agents, we must realize that this competition occurs among an occupational group who also depend upon much mutual co-operation.

Co-operation and Ambivalence

Co-operation is most important when listing agent and selling agent work together to present offers and counter-offers. This form of co-operation has already been discussed (see page 78). I will simply give two more examples here, one involving two Highgate agents, and the other one Highgate and one outside agent.

Example 8e. Sale Involving Two Highgate Agents. In this example the listing agent and selling agent alternatively bring pressure to bear on the vendor. The example also shows successful selling technique, the agent's function as face-saver, and management's approval of co-operation between its agents.

Jim Young. How about 752 Grenfell, Peter Green and Geoff Foster worked as a team on that one?

Foster. I let Pete do most of the talking inside the house and then I did most of it outside. The vendor absolutely refused but Pete said to give us a call later, and he did and accepted the offer.

Young. It was good team-work. It's a good idea to always keep the door open like that. You've got to give the vendor a chance to get it off his chest and save his face.

Example 8f. Sale Involving an Outside Agent. In this case the listing agent from Highgate is out of town when the outside agent receives his offer. The latter comes to see Jim Young who acts for the listing agent, they discuss their strategy together, and then go to work on the vendor. Young describes

what happened:

Young. We sold 275 Maple Crescent for \$74,000. It was listed at \$125,000. Bob Bowman was the agent who got the offer. He came into my office and we talked about it. I informed the vendor, but we didn't make a counter-offer right away. Then I let Bob talk to the vendor. It was really funny -- about every third sentence he used to say: "I, as an experienced salesman, after twenty-three years in this business, would recommend ..." Well, I guess the technique must have worked. This case shows the importance of waiting before making a counter-offer. You need to find out from each party first what they'd be willing to settle for, rather than kill the deal with a counter-offer.

Agents often co-operate to match up clients and listings before the negotiation process begins. Usually the selling agent has a client looking for a particular type of house, and he asks his colleagues if they have a listing that might be suitable. John Mason gives an example:

Mason. This morning I was talking to this client, who wanted a house that didn't cost too much. He had \$5,000 for a down-payment and wanted it arranged so that he'd have to be paying about \$165 a month. I happened to mention this to Teresa Verge, and she said she had a house for \$20,000 on which the owner was willing to carry the mortgage at 8 per cent. So I phoned back my client and told him about it. He seemed interested and we've made an appointment to show it to him.

This co-operation was directly reciprocal. Information and advice are more often given with a generalized expectation of a return at some unspecified later time. An agent in a slump particularly appreciates this kind of support.

Yvette Tardiff. I sold 5734 Longdale for \$30,000. I got a lot of advice from Marie about how to deal with an outside agent. And I got the lead from Teresa. I was feeling kind of discouraged after the first deal fell through, and Teresa was kind enough to suggest this other listing.

Agents also co-operate to service clients and listings

for each other. If a potential vendor or purchaser calls and wants immediate service from an agent who is busy, a colleague will be asked to take the listing or show the house. For a listing, the two will usually agree to share it between them, and split the commission in the case of a sale. This kind of co-operation arises when an agent goes on his holidays. It is very important to him that he not lose contact with his vendors completely. There is no company policy covering this situation,¹⁴² agents arrange reciprocal deals with each other. Usually, the one who is leaving agrees to share the commission should a sale take place while he is away. Sometimes a similar deal will be worked out for a potential purchaser, but this is less common because the purchaser is not contractually committed to the agent.¹⁴³

Another form of co-operation, often involving agents who work for different branches or different companies, is the exchange of leads between two agents who work different areas. Typically, the first agent has a client to whom he has shown houses in his area, but the client wants to see houses in another area. The agent will then phone his colleague in the new area, and suggest that he contact the client. Depending upon their agreement, the first agent usually gets a small share of the commission should a sale occur. The exchange of leads is

¹⁴²The lack of company rules governing agents is discussed in Chapter 9.

¹⁴³The second, non-holidaying agent would hope to pick up the potential purchaser anyhow, and would therefore be reluctant to agree to split the commission with his colleague.

often on a reciprocal basis with a particular colleague in the other area. Pauline Winter explains:

Pauline Winter. I had an English client a little while ago. I showed him all around Westmount, NDG, Montreal West. Then he wanted to look in the Town of Mount Royal, so I turned him over to an agent there. I don't show houses there, I don't feel that I know it well enough. In a case like that, you work something out with the other agent. I give 10 per cent to Jane Philbrook in the Town if I sell to a client she turns over to me, and I get it if she sells to one of my clients. She's an old friend of mine. Out on the Lakeshore, I passed over a client to Ron Jackman a little while ago. I only got 10 per cent, but I should have got more, because I had put in so much work with the client. It's up to the agents to work these things out.

Agents in different companies also exchange "split listings", where one agent gives an outside colleague permission to show his Exclusive listing. Splits usually arise from the instigation of the outside agent with an interested client. Once a split has been granted, all the agents in the receiving company can arrange showings of the house. Highgate Realities has a policy, which is not strictly adhered to, of refusing to give a split for at least ten days after obtaining a new Exclusive. The agent who brought in a split used to receive 10 per cent commission if the house was sold by another Highgate agent. This commission arrangement has recently been abolished, because management felt that too many agents were spending time phoning up their friends in other companies for splits.

Co-operation of a slightly different form occurs where agents from two companies share a listing between them. These joint or co-listings are usually arranged at the instigation of a vendor who wants two companies to service his listing. They can be either co-Exclusive or co-MLS. The listing commission

may be shared between the two listing agents and companies regardless of who makes the sale, or the listing may be on a "winner-take-all" basis. In the latter, if one of the listing companies makes the sale, the other company and listing agent receive nothing; while if a third company makes the sale, the listing commission is split between the first two.

There are, then, many forms of co-operation, as well as many forms of competition. To succeed, an agent must participate in both. Since competition and co-operation are both unpredictable, this ambivalence is particularly difficult. No agent can tell in advance when he will have to compete or co-operate with a colleague. The man who worked with him to bring off a big sale yesterday may steal his client or beat him with an offer tomorrow. Co-operative efforts themselves are fragile, and can easily break down into resentment or conflict when one colleague suspects that the other is not doing his share, or is double-crossing him in some way. The following examples illustrate this:

Example 8g. Failure to Present an Offer Successfully. In this case, the listing agent did not co-operate to put pressure on his vendor to accept the selling agent's good offer. The latter expresses her resentment:

Pauline Winter. I'm involved in a deal now. It's proving very hard. My client made a good offer, but the other agent, he's from another company, he didn't have enough influence on the vendor. When I presented the offer, he didn't say a word, he wouldn't even say that this was a good offer. Just a word from him and I think it would have been accepted. He is a hopeless agent, he shouldn't be allowed in the business. A good agent would have been able to put the deal through.

Example 8h. Resentment about a Low Offer. The listing agent here expresses dissatisfaction at the low offer obtained by the selling agent. The selling agent in turn resents that his achievement is not appreciated. This case involves an experienced listing agent and a new selling agent. The former quickly brings the incipient conflict under control. The sales manager joins the conversation mid-way through.

John Mason. Get on the telephone to Florida, Joan, I've got an offer. I'm afraid it's a bit lower than we had hoped.

Joan Reid. Oh, no, we can't take one that's lower. How much?

Mason. \$67,000, that's not bad on a \$79,000 house in this market.

Reid. Well, I can phone him, but I know he'll be angry.

Jim Young. (Approaches and speaks.) How did it go, John?

Mason. Well, I got an offer that was a bit low, but Joan says she won't phone him.

Reid. (Angered) I didn't say I wouldn't phone him, but I said it's a very low offer. (Calms down.) But I think you did your best, John.

Example 8i. Conflict Between Co-Listers, I. A co-listing can be a source of strong competition, particularly if it is on a winner-take-all basis, when it looks as though one of the agents is about to receive a good offer and close a sale. In this example, one of the co-listers, Peter Green, refuses to give the key to the other co-lister when he has an offer. She retaliates by trying to talk his purchaser out of buying. Jim Young suspects that she must have an interested client of her own. The story is told by Green and reflects his bias.

Green. They were asking \$125,000, it was an estate. I'd had an offer of \$85,000 a month ago which the company turned down. In this case I wrote a letter to the company, giving the reasons for buying. You know, Mrs. Dustin (the co-lister) behaved abominably. She asked for the key to the house. I wouldn't give it to her, but she went to my client anyhow and told him that he was getting a bad deal.

Young. Perhaps she had a potential buyer herself, but that was really most unethical.

Example 8j. Conflict Between Co-Listers, II. In this case, one of the co-listers tries to get the vendor to renew the co-listing when it has expired, but the other co-listener persuades him to list it exclusively with her. It is described by George Lidstone, the agent who loses out in the transaction.

Lidstone. Here's a house that used to be my co-listing with Mrs. Stone. I wanted to renew it when the contract ran out. I talked to the owner and he said that he wanted to try and sell it on his own. But Mrs. Stone pulled a fast one, because the next thing I knew it was her Exclusive.

This structurally based competition and co-operation among agents, plus their inability to predict when or with whom they will have to compete or co-operate, gives rise to a parallel psychological ambivalence. George Homans has proposed that "...the more frequently persons interact with one another, the stronger their sentiments of friendship for one another are apt to be,"¹⁴⁴ but he implicitly assumes co-operative interactions. Alternatively, conflictual interaction between two persons would be expected to produce dislike for one another. But what of a situation, such as that among real estate agents, where there is frequent interaction, strongly negative and strongly positive? Mutual suspicion and hostility from competition and conflict, and mutual enjoyment and respect from co-operation are produced. These ambiguous sentiments are expressed at the cognitive level by contradictory and ambivalent attitudes. The following comments characterize competition and conflict:

¹⁴⁴George C. Homans, The Human Group (London: Routledge and Kegan Paul, 1957), p. 138.

"We're all loners in this business. We have to be in competition with each other all the time."

"Basically, this is a cut-throat business."

"You have to keep fighting all the time, there's always something to keep your blood pressure up."

"All's fair in love and war and real estate."

Statements about co-operation are generally more reticent:

"There's a lot of co-operation among the agents. I find most of them pretty good to get along with."

"Generally, I'd say the co-operation is good. You have to maintain good relationships."

"We have a really good team-work here."

When questioned explicitly about their relations with other agents, most expressed their ambivalence:

"There is a good co-operation, this is not the cut-throat business it used to be."

"I've attempted to co-operate as much as possible, but of course this is a cut-throat business."

"It's dog eat dog. But when we're finished fighting, we're friends."

"Considering the agents are in competition with each other, the co-operation is excellent."

This structural and psychological ambivalence places a definite strain upon individual agents and upon their daily interaction. Individual and collective defences have developed against this competition and ambivalence and the strain it produces.

Defenses Against Competition and Ambivalence

The problem can be re-formulated from the point of view of real estate agents as a group. In order to succeed, its members must compete with each other. This competition is often quite fierce, with periodic open conflict and much resentment

and hostility. At the same time, the success of the members and of the group collectively depend upon much co-operation. The problem is this: how to ensure that competition and conflict, which are inevitable, do not destroy co-operation, which is essential.

As we conceive it here, seven individual and collective techniques, or "defense mechanisms," have emerged as responses to this problem. These are: formal restraints, normative restraints, incipient cliques, situational co-operation, lack of informal social contact, impression management, and managerial mediation. I will discuss each briefly.

1. Formal Restraints Upon Competition. Formal restraints are rules which are effectively enforced. The listing agreement itself is the most important formal limitation with respect to vendors. The listing broker has the exclusive right to service the listing, and it is an offense punishable by the Montreal Real Estate Board for outside agents to solicit for the listing during the contract period. Within Highgate Realities Company, the agent who brings in the listing, or to whom it is assigned by the company, is solely responsible for servicing the vendor, and is entitled to the listing commission if the house sells. Competition for vendors, then, is restricted to the period before a listing contract is signed, and to the time for renewal of the contract.

Open listings represent an intermediary category because no contract is signed, and company policy governing them is variable and uncertain. The listing agent tries to convert the

Open listing into a Contract listing; in the meantime he receives 10 per cent of the commission if the house is sold by another Highgate agent. But any other agent can try and convert the Open listing into an Exclusive or MLS. If he succeeds, the first agent receives 10 per cent in the case of a sale and the second 15 per cent. But for an Open listing obtained by phoning the owner of an expired MLS of another company, Highgate recently adopted a new policy whereby the listing agent would receive no commission unless he personally inspected the property and checked the listing particulars. The indefinite status of competition for Open listings is illustrated in the following discussion during a sales meeting:

Rosemary Crawford. I want to mention something. I had a client a little while ago interested in an Open listing of Len's. I'm sure I could have converted the listing into an Exclusive, but I didn't like to because of Len. Then the next thing I knew, it was a True Trust listing!

Dan Nester. We have a policy covering that. If the second agent converts it into a contract listing, then he gets 15 per cent and the first agent 10 per cent of the listing commission.

Jim Young. I think the best thing to do would be for the second agent to talk it over with the first agent. Mrs. Crawford, you could have gone to Len and told him that you thought you could convert it into an Exclusive, and Len would probably be only too glad.

Crawford. I didn't want to interfere with Len's chances, but I was sorry to see the True Trust get it. Did you try for it, Len?

Len Brooks. Yes, I phoned her up every week.

Until the past two years, Highgate Realities had a parallel policy which restricted competition for potential purchasers, called the "registration system". An agent who was showing houses to a purchaser would register his name in a book, and no other Highgate agent could take out that client. The system was abolished shortly before I began my research on the

grounds that dissatisfied purchasers were being lost to other companies. Unlike the listing system, the registration system was not protected by a wider system which prevented competition from other brokers.¹⁴⁵ A formal restriction on competition for purchasers that still applies is that the agent who first shows a house has the right to the selling commission even if the client submits his offer through another agent. This rule does receive wider support, the Board maintains it with respect to agents from different companies. Recently the Board has considered changing its policy, and Highgate agents are upset because it would mean increased competition and conflict. The issue arose during a meeting:

Jim Young. What do you think we should do if we are showing the husband around and we come to a house which he says his wife has already seen with another agent?

Dan Nester. Tell him that he should see it with the other agent.

Teresa Verge. Right!

Bob Coles. There's a rumour that the Board may change its policy to recognize the agent who makes the offer rather than the person who shows it first.

Joan Reid. Oh, no! I think that would be awful, it would just lead to so much fighting. It would be an awful situation.

(Murmurs of agreement)

Geoff Foster. Jim, you need to contact Jim Johnson, he's our representative, a director on the Board. Get him to present our company's policy on this thing.

Young. Yes, I'll do that today.

If the Board does change its policy, the rules regulating the listing contract will remain as the only formal restriction upon competition among agents.

¹⁴⁵The registration system and its unintended consequences will be discussed further in the next chapter.

2. Normative Controls Upon Competition. One way of limiting the disruptive effect of competition is, paradoxically, to define it positively as a "good thing". Agents learn that they must expect others to compete with them, that this is how the system works most efficiently, and that they should not let fair competition become a basis for personal animosities. On the other hand, informal norms develop concerning what constitutes "unfair" competition. Agents agree that it is wrong to withhold most kinds of information, such as vendors' telephone numbers, when they have been requested by others; that agents should not blatantly attempt to steal other agents' potential listings and clients through such means as eavesdropping on telephone conversations; that one agent should not criticize another in the presence of a client; that an agent should not try to talk another agent's buyer or vendor out of a deal; that every agent should work to get a fair share of listings, not simply try to sell others' listings; and that agents should generally be honest in their dealings with each other.

Although these norms are professed by most, there are limitations upon their effectiveness in practice: some do not accept their legitimacy, holding that all forms of legal competition are fair; there are discrepancies between what an agent professes and what he actually does; most transgressions are difficult to detect; and there are no readily enforceable sanctions to deal with offenders agreed upon by all. I heard of only two cases where agents had collectively succeeded in sanctioning one of their fellows. In the first, a number of them

resented an agent who had recently transferred from another company and was not bringing in her share of listings. They complained to management, and became reluctant to co-operate with the offending agent. She eventually resigned, and spoke bitterly against the company and its agents to outsiders. In the other case, a man who had a habit of stealing other agents' clients and listings lost a chance for a big sale because they agreed to withhold information about a listing from him, and the house was sold to somebody else.

Such collective reprisals, and indeed collective co-operation of any kind, are rare among real estate agents. The main control upon unfair practices is the fear of reciprocal rather than collective counter-action. The potential offender never knows when he may need the co-operation of his intended victim in some other transaction. As one agent put it:

Len Brooks. Of course, some types who have been screwed by another agent hold grudges. It depends upon personality. If someone considers he's been dipped of \$1,000, then there's bound to be conflict. But of course you have to maintain good relationships. A guy might be busy, and pass you on a client for 10 per cent of the sale.

Another norm, one generally agreed upon by all, is that agents have a right to keep certain information, particularly about clients, to themselves. It is wrong to pry in certain areas. In the following conversation, the agent checks herself when she finds she is asking too much:

Dan Nester. I've had two clients who have made reasonable offers lately.

Nancy King. Which clients? (Pause and no response) I'm sorry, that's not fair.

The right to secrecy about clients is so strong that an agent,

usually a newcomer, will sometimes be mildly sanctioned for "telling too much," or agents might feel uncomfortable and joke about receiving information where it could work to the disadvantage of the donor. The following examples illustrate this norm:

Examples 8k and 8l. Secrecy Norm. In the first instance, a new agent starts to talk openly about a good client and is cautioned by a more experienced colleague. In the second, George Lidstone surprises the people at a sales meeting by mentioning a new listing for which he has a potential buyer.

8k. John Mason. I think I have a good chance to sell to that Dr. Walters, he's really anxious to buy.
Joan Reid. Be careful, John, you don't want to tell us all your secrets!

8l. George Lidstone. I've got a beautiful new duplex listing at 113 - 115 Buffett Road for \$62,000. It's the nicest duplex I've seen since I came into the business. I have a potential buyer, so don't rush at it.
Jim Young. Well, that's brave of you to bring it to our attention!
Lidstone. As I said, don't rush at it!

By defining certain forms of secrecy as acceptable, the group reduces the strain for its members who are forced by competition to keep certain information private.

3. Incipient Cliques. One way in which many agents deal with ambiguity is to try and separate the elements of co-operation and competition by forming cliques or partnerships of two to four agents who co-operate with each other over sales, split listings, and the exchange of information, while they continue to compete with non-clique members. John Neal gives his impression of this:

Neal. Here, nobody knows what anybody else is doing, except that a lot of the agents work in two's or three's. Like Peter Green has just gone on his holidays and he's left his listings to Marie Lacroix and Nancy King. A number of agents have particular agents in other companies who they co-operate with, like Nancy King and

Betty Stein. I get along very well with Bill Kent. In most cases, clique formation remains incipient. Stable, long-term cliques do not form because the need for co-operation and competition is too unpredictable. A member of an incipient clique may find himself having to co-operate with a non-member to complete a deal, or competing with a fellow member to pick up a listing or bring an offer on a house. As an agent who worked in another area explained:

Outside Agent. I can see all the little cliques around the Lakeshore, and they're always changing. You can bet that each change is preceded by a fight among members of the clique.

The closest approximation to a stable clique at Highgate was two agents who often held co-listings together, and who had worked out an arrangement with a builder. One of them described this set-up:

Doug Jenkins. Bob Coles and myself used to share these listings with the builders. If he sold it I would get the listing commission and if I sold it he would. But that's not a usual arrangement. We used to share them when I was with a different company and we decided to continue it.

This agreement became of little importance as new building declined in the area. When Jenkins was later fired by the company, Coles remained.

Unpredictability prevents clique formation from becoming a successful solution to the problem of ambivalence. The most that is achieved is a preferred trading partnership between a couple of agents within a company or between two companies. A member of one such partnership describes it as follows:

Frank Martin. I deal a lot with Betty Simmons at the True Trust. She's a really good agent. If I need anything I'll call her, and if she needs anything she'll call me. I would say that I have a real team work with her. After the last sale we completed, I said that I couldn't have done it without her, and she said that she couldn't have done it without me. But of course I deal with many agents. I sold one of Mrs. Donne's listings last week, and she has an offer on one of mine now.

4. Situational Co-operation. Although they would often prefer to, agents learn that they cannot arrange to co-operate with others on the basis of personal characteristics. Personal resentments cannot be expressed in selective co-operation and competition. The best example of this is the lack of discrimination by sex. Some of the older male agents at Highgate Realities resent the influx of women into the occupation. This is a common topic of conversation when men are together. One of them explained his position as follows:

Male Agent. Some of the older men don't like having all these women agents. Of course, they know how to appeal to the women and are quite successful. I don't know about all these women working. It kind of bothers me because of the kids. The thing that bothers me is that for every woman that gets a job there's some man who doesn't have a job.

These men can discriminate by asking other men to handle their listings when they go on holiday, but they cannot arrange to co-operate in sales and the exchange of information only with men. They are forced to keep their resentment to themselves so that it will not endanger their co-operation with female agents.

Situational co-operation means that agents generally co-operate with each other whenever it would be to their mutual benefit to do so, and they take an impersonal, instrumental attitude to the relationship. By avoiding personal attachments in their co-operation, they are able to minimize the bad personal

feeling that might emerge when they later find themselves competing with the same agents. Table 8a. presents unobstrusive evidence for this argument that co-operation occurs on a situational basis. The table enumerates all items of co-operation recorded in the Notes for Salesmen for the fifteen agents who were at Highgate throughout a year. Most of these items (over 70 per cent) are shared listings, either splits or co-listings, with agents in outside companies. The others are items of co-operation within Highgate, mainly shared listings and handling other agents' listings while they were on holiday.

The first column records co-operation by number of items, and the second column by number of agents. Len Brooks, for example, was involved in 16 co-operative transactions with 16 different agents; Peter Green in 28 transactions with 22 different agents. As is clear from the table, there is little evidence for co-operation with particular others. The total number of transactions, 156, involved 137 different pairs of agents, indicating that co-operation is on a situational basis.

5. Avoidance of Social Contacts. There is very little social contact among real estate agents outside their work. A few, such as Doug Jenkins and Bob Coles, are friends whose families meet socially, but they are exceptions. Partly, this lack of sociability is due to the nature of the work and its demands upon the agents' time. As Frank Martin put it: "We don't have the time for much social life. Sometimes there are days in which I could use forty-eight hours." The problem of arranging his social life is difficult for an agent because of his irregular and unpredictable hours. The problem is compounded

Table 8a.

Situational Co-operation as Indicated
By Shared Listings

<u>Highgate Agent Involved</u>	<u>Co-operation</u> (No. of Items)	<u>Co-operation</u> (No. of Agents)
Len Brooks	16	16
Marie Lacroix	11	10
Bob Coles	3	3
Teresa Verge	10	9
Rosemary Crawford	9	8
Peter Green	28	22
Frank Martin	8	7
George Lidstone	9	8
Dan Nester	11	9
Jack Fraser	5	5
John Neal	10	8
Joan Reid	14	13
Danielle Tarcot	8	6
Fred Townsend	4	4
Pauline Winter	9	9
Total	156	137

where two agents are involved.

But the main barriers to sociability are competition, mutual suspicion, and the ambivalence of work relationships. Agents do have a social life, often involving some of their clients, but seldom fellow agents. Casual social contacts are generally avoided because they involve the risk of losing a client or a listing to a colleague:

Jack Fraser. This is a funny business -- people are not really social. The thing is that you have to watch what you're saying. One word can lose a sale. You might let it be known that you're expecting an offer on a certain listing, and the other guy might have an offer as well, so he'll go to his client and get him to hurry up or maybe raise the offer. You might lose a sale by that. You sure as hell don't tell your friend when you're going to get an offer.

Len Brooks. Now and again when the day has been rough a couple of us might go down for a beer and some lunch, but that's not a general principle. It wastes time, and often one agent tends to pick at another's brains. You may say something about some client, and find that he's on the other agent's books the next day. The least you say about business to your confreres, the better. Most good agents don't hobnob with others. But a guy can't be too aloof. Everybody says hullo, how are you, goodbye, but those that get really friendly and hobnob in the coffee-shop are usually left out of good sales. C

Deeper personal attachments could lead to increased difficulties and bad feeling where friends found themselves competing with each other.

6. Impression Management. Real estate salesmen, as we have seen, are experts at creating and maintaining impressions that differ from how they really feel about a particular house or client. This expertise applies as well to relationships among agents. Incidents of conflict can be isolated and contained by each agent subsequently playing the game of friendly relations

between them. It is striking how often two agents who have quarreled one day will be seen in friendly light conversation the next. The explanation for this is that, on the third day, the two may find themselves needing to co-operate to complete a sale. I do not mean to imply that agents are simply hypocrites. The re-instigation of friendliness following conflict is a mutual adaptation to structural ambivalence which has positive benefits for both parties and for the occupational group. Long-term dislikes and conflicts do, of course, occur; but no agent can afford to become involved in too many such relationships.

Impression management takes another form that we can call "role censure", a technique of criticizing a colleague or making a complaint while avoiding the disruption of a direct personal attack. The agent or manager speaks in a general way about a situation, and uses expressions such as "an agent", or "some agents" when he is really thinking of a specific incident and a specific agent. It is as though the role were to blame and not the person playing it. In this way conflict is depersonalized and emotions are kept under control. The following examples illustrate this defense:

Example 8m. Role Censure I. In this first example, the agent who makes a complaint about a new listing not yet being on file does not name the listing agent, although he obviously knows who it is. The listing agent defends himself, and then the general sales manager, Don Lane, comments in a purely general way.

Doug Jenkins. I had a client interested in that new listing on Carlyle. I looked for the listing card on Saturday, but it wasn't on file.

Len Brooks. But I'm sure I gave the stencil to the secretary on Wednesday.

Don Lane. It's very important that these cards be kept on file. The listing agent should look after it and be responsible.

Example 8n. Role Censure II. In this case, the first agent phrases his complaint in general terms, the second agent apologizes for his over-sight, and then the first agent denies that he was referring to him specifically. In this way, the offended party is placated without either side being antagonized.

Fred Townsend. It's no good receiving a phone-call and then having to go to the file to find out about a property, and sometimes you can't even find anything in the file.

Bob Coles. Oh, well there was a mix-up about that property. I had the sign up before I filled out the listing form because I saw a chance to get the listing in a hurry. But I shouldn't have done that.

Townsend. Well, I wasn't referring to that specifically, but just generally it's hard to talk about a property when you don't know anything about it.

This technique of depersonalizing conflict by role censure rather than personal censure was common at Highgate Realities. The sales manager, Jim Young, used it regularly. I was present when an agent explained to him that she was showing a client her own listing rather than a better one belonging to a colleague. Young made no comment at the time, but wrote a note of the incident, and spoke at the next meeting about how an agent should always show his client the best listing regardless of who the listing agent is.

7. Managerial Mediation. Within the company, conflicts can be contained and often resolved through the mediation of the sales managers. Either the party who feels offended complains to the manager himself, or the manager intervenes when he sees

two agents having an argument. Managers try to intervene as quickly as possible to bring the conflict under control. The protagonists usually accept the managers' decision, although the losing party may continue to feel resentful and, in extreme cases, may resign from the company.¹⁴⁶ The possibility of managerial mediation is one aspect which differentiates agent-agent relationships within a company from those between companies.

Through these seven techniques, real estate agents manage in most cases to prevent the competition, periodic conflict, and mutual suspicion that characterize their relationships with each other from seriously disrupting the co-operation required for their success. This model of agent-agent relations applies across companies, and before proceeding to the internal organization of Highgate Realities, we need to consider the implications of the high degree of interaction between agents from different companies for agent-company relationships.

Cross-Cutting Agent-Agent Relationships as a Barrier to Company Cohesion

The advantages of co-operation lead to much interaction with agents of other real estate companies. Indeed, in many cases, an agent will co-operate with outside agents more than his colleagues in his own company. This limits attachment to and identification with the company for which an agent works. It also makes a move from one company to another relatively easy, because he already knows most of the agents and brokers from working with them before. Companies attempt to instill

¹⁴⁶The managers' role as mediator, and the grounds upon which they base their decisions, will be discussed in the next chapter.

loyalty through moral persuasion and through manipulation of commission rates, but have only limited success. There are some differences which make for somewhat more co-operation among agents within a company, and somewhat more competition among agents in different companies, but these are of secondary importance.

Of 24 agents who worked at Highgate Realities during the period of my research, 15 had previously worked for other companies, and 10 of these for two or more others. Most of them said that they liked working for Highgate: it had good records and secretarial service, they liked the sales manager, Jim Young, and they could take advantage of the company's good reputation to acquire leads and to impress clients. On the other hand, they would not mind very much if they had to leave for some reason and move to another company. The following comment is representative:

Pauline Winter. I like it all right here, but I've worked for three different companies. They expect you to fulfill your quota here. If I don't fulfill mine, and they ask me to move, I won't mind very much. No, I don't mind if I have to move, although I like it here. We have a pretty good team, there aren't too many fights.¹⁴⁷

Social ties across companies weaken cohesion, group-

¹⁴⁷In practice, agents are unable to predict whether they will stay or move. Two people that I interviewed were enthusiastic about the advantages of working for Highgate, but later left when they became involved in disputes that were not settled to their satisfaction. Conflict which can lead to inter-company mobility is discussed in the next chapter.

feeling, and loyalty within a company.¹⁴⁸ To further his own self-interest, an agent often co-operates with an outsider in a sale rather than a fellow company agent. The company suffers in such a case, because it receives only one share of the commission, either the listing or selling share, rather than both shares. Some agents pay lip service to the idea of loyalty to the company, particularly in the presence of managers. The following discussion is about whether or not the Highgate agents should miss some outside brokers' inspections in order to see more of their own new listings.

Len Brooks. I don't see how we can see all these houses in one day. Including the 5 we have on for this afternoon, and outside brokers' inspections, there are 17 for today.

Jim Young. No, Len, that's funny arithmetic, there are only about 10. (Brooks was in fact correct.)

Teresa Verge. We don't need to see the outside broker's as much.

Fred Townsend. Of course we do!

Rosemary Crawford. It doesn't make any difference, the commission is the same.

Verge. Well, loyalty.

In the above discussion, the statement by Rosemary Crawford is more typical of the agents' attitudes. When no managers are present, they are more open, as in the following comments:

¹⁴⁸Uberoi argues that one of the functions of kula exchange in Melanesia is to establish peaceful political ties among the islands in the kula ring. In preparation for kula expeditions, individual Trobrianders pass through a series of ceremonial rites of a highly individualistic nature to temporarily weaken their tie to their own society. They are then ready for the close relationship with their kula partners in the other island. In that case, solidarity of the Trobriand society is only periodically and temporarily weakened. Among real estate companies, cross-cutting ties are continuous, and they permanently weaken solidarity within a company. See, S. Uberoi, The Politics of the Kula Ring (Manchester: University of Manchester Press, 1962).

George Lidstone. I guess a salesman thinks first of himself, and second of the company.

Jack Fraser. Yes, unless, of course, you're talking to Morgan. (A company executive.)

Managers often appeal to their agents to co-operate with each other more, but they realize they are usually going to do what gives them most income. They have attempted to reconcile individual and company interests by manipulating the commission schedule, but with little or no success. Until recently, Highgate tried to motivate their agents to sell company rather than outside listings by rewarding them with 40 per cent of the commission for the former but only 25 per cent for the latter. But, because they wanted to retain 45 per cent for the company where two of its agents were involved, and 25 per cent where one was involved, they had to reduce the listing agent's share where his listing was sold by another Highgate agent. The effect of this was that the listing agent would receive more commission by co-operating on a sale with an outside agent (25 per cent), than with another Highgate agent (15 per cent).

Many Highgate agents were dissatisfied with this arrangement. It placed them in an awkward position. While their fellow Highgate agents and the company's managers insisted that they should give preference to other agents in the company in showing their listings and presenting offers, they could make more money by working with outside selling agents. Joan Reid expressed the problem as follows:

Reid. There are some things I disagree with here. One of them is the listing commission. If an agent has a house listed and another agent in the company sells it, he only receives 15 per cent of the commission. This is stupid, because if an agent from an outside company sells it he gets 25 per cent. There's a rule that houses are to be kept completely exclusive for at least two weeks.

But this is often broken when an agent hears of an outside agent who has a chance to sell the house. In that case he gets 25 per cent.

Largely because of pressure from Reid, Peter Green, and some other agents, the commission schedule was later changed so that the listing agent would receive 25 per cent no matter who the selling agent was. Sales Manager Young explains the rationale for the change:

Jim Young. I'd like to express some thoughts on the significance of the change. The trouble with the old system was that it favoured outside agents against our agents on MLS listings. I even heard of a case where some man here had told a trust company that he prefers it when one of their agents sells one of his MLS's because he gets a greater share of the commission. This is the main reason for the change. We're trying to stimulate more competition among the agents of this company.

Young referred only to MLS listings, but the same situation also applied to Exclusives. The obverse side of the change is that the selling salesman's share is now reduced from 40 per cent to 30 per cent. This lowers the incentive to sell company listings since the selling agent receives only 5 per cent more commission for this rather than 15 per cent as before. Another effect of the change is that it works to the overall advantage of the better listing agents and to the detriment of those better at selling. Some agents dislike the change for this reason. Fred Townsend explains:

Townsend. This is going to make things more difficult for me because I find it more difficult to get listings than to make sales. I'll now have to spend more time trying to get listings than I used to.

This experience with manipulating the commission schedule shows how difficult the company finds it to foster co-operation.

among its own agents and competition against outsiders. But there are some differences in the two kinds of agent-agent relationships. Agents see other members of the same company more often around the office and at sales meetings, incipient conflicts between them are more controllable through the mediation of managers, and communication can more easily be in person rather than by telephone. Many of them do come to feel a weak sense of team-work as a group in competition with outside companies. Other things being equal, they generally prefer to deal with fellow company agents. The listing agent may push a fellow's offer harder than one from another company, or warn his own agent that an offer is forthcoming from another company so he should try to better it. I was driving with two Highgate agents past a house listed by another company when the following conversation developed:

Yvette Tardiff. That's Joyce Miner's listing. She's got it on at \$59,000, which is a little high.

George Lidstone. Well, if it was our listing, we could probably sell it for around \$50,000. But Joyce Miner is a very good agent, she would be very co-operative, but I don't think she would press an offer from one of our agents.

Researcher. You mean that because she is a good agent, she will get more money for her vendor?

Lidstone. No, not necessarily, just if an outside agent's client buys it. If it is her own client, or one of the other agent's from her company, it might go for \$50,000. The same would apply if it were our listing, we would push one of our own offers harder.

Researcher. Why is that?

Tardiff. Money talks.

Researcher. Oh, you mean that she would get a bigger commission?

Lidstone. If she sold it to her own client, she would.

Researcher. But how about another client from another agent in her company?

Lidstone. Well, I don't know how their system works exactly, but you will find that an agent will push an offer harder if it comes through another agent in the same company.

Where the agent co-operating is the selling agent, he may prefer to sell the listing of another agent in his company, particularly if he gets a higher commission. This is shown in another conversation about a house listed by an outside agent. In this case, the listing is about to expire and Lidstone is hoping to pick it up.

George Lidstone. This is Mrs. Brown's listing. It's about to expire and I hope to pick it up.

Len Brooks. In that case I won't show it for a week or so.

Researcher. Does it make that much difference to you, whether it's another company's listing?

Brooks. It's a difference of 5 per cent.

Teresa Verge. It's also better for your reputation around the company.¹⁴⁹

These instances of preference for co-operation with agents from one's own company are secondary to the main principle which guides the agents' behaviour: to maximize one's share of the commission regardless of the person or persons with whom one is co-operating or competing.

Conclusion

Differential success produces a clear prestige hierarchy among real estate agents, while competition for listings and clients gives rise to periodic conflict, much secrecy, and mutual suspicion in their daily operations. But agents also need to co-operate with one another to complete sales, to acquire information, and to ensure that their listings are serviced when they are on holiday. This structural ambivalence

¹⁴⁹It is interesting that Teresa Verge is the same agent who mentioned "loyalty" in our earlier example (page 231). More than any other Highgate agent, she used the sales manager's assistance as a resource for advice and help in making sales. Her reputation with the managers was more important for her than for the others.

leads to parallel ambivalent feelings and attitudes among agents which results in a kind of occupational non-community.¹⁵⁰

Ambivalence causes difficulties in daily interaction which are dealt with in a number of ways: collectively through formal and normative restraints upon competition, and individually through situational co-operation, avoidance of social contacts outside the work milieu, and impression management.

Agent-agent relationships cut across companies; this tends to weaken solidarity within a company and to cause problems for managers in co-ordinating the activities of their agents. This weakening of the agent's tie to his company from external forces is part of the background of agent-company relations, and of the organization of activities within the residential sales department of Highgate Realities.

¹⁵⁰This term was suggested to me by Professor Donald Von Eschen.

Chapter 9

AGENT AND COMPANY:

A REVERSE EMPLOYMENT RELATIONSHIP

The real estate agent has been analyzed as a middleman in housing sales, and as an entrepreneur in his career. But he is also a member, if a loosely bound member, of an organization, the real estate company. Within the socio-economic system of residential real estate, the company is a unit which provides services for agents.¹⁵¹ This is a reversal of the more common employment relationship. Rather than pay wages or salaries in return for services (work) from its employees, the real estate company provides services in return for a share of the agents' commissions.

This reverse employment relationship between company and agent, founded upon a services-for-commission reciprocity, is an important determinant of organizational behaviour within the residential sales department of Highgate Realities. In this chapter, the agent-company relationship is analysed in detail, and the managers' relative lack of formal control explained in

¹⁵¹This study could have been presented with an analysis of the company and the agent's position in it first. I have chosen not to in order to stress the way in which the agent-company relationship is conditioned by the wider system and the part played by each within it.

terms of this relationship.¹⁵²

The Services-for-Commission Reciprocity

The employment relationship between owner and employee is often taken for granted in organizational analysis.¹⁵³ But the relationship between a real estate agent and his company calls attention to itself for two reasons:

(1) the agent is paid a commission rather than a salary or wage, and

(2) the relationship is obviously central to the organization.

We have already dealt with the agent as an entrepreneur, and with the way his success depends upon his building up long-term relationships with clients. This role in the wider system, where the agent's work is unpredictable and takes him away from the office, limits company control. Nevertheless, the agent is not a "pure" entrepreneur, because he depends upon his company for important services and, since the passing of the Real Estate Brokerage Act, for his legal right to sell real estate.

Agents are more like entrepreneurs than organization men in their working habits and strategies for success. The work is unpredictable, non-repetitive, and tasks do not require mutual

¹⁵²I have found two sources particularly helpful in formulating this and the following chapter: Roger Krohn, "Conflict and Function: Some Basic Issues in Bureaucratic Theory", BJS, 22, 1971, pp. 115 - 132; and David Silverman, The Theory of Organizations (London: Heinemann, 1970).

¹⁵³See Krohn, "Conflict and Function".

interdependence among workers. The commission system serves all parties and is a convenient way of dividing income in this situation. The company provides a base of operations and other services in return for a share (approximately 50 per cent) of the agents' commissions. In practice, vendors pay their commissions to the company's managers who distribute agents' shares. I shall refer to this as the services-for-commission system, or simply the commission system, to distinguish it from the wages-for-work employment relationship where companies pay for workers' services.

Although the company sets the commission schedule specifying shares for itself, for the listing agent, and for the selling agent, it must pay agents a large share (50 to 55 per cent) or either lose them to competitors or have them set up rival brokerage firms. For the company, the system has two advantages: it minimizes its costs when hiring new agents, and it motivates agents to work hard. The agents, particularly the more successful ones, like working on a commission basis because it means unlimited income opportunity, and much freedom and independence in their work.

The commission system makes for a different kind of employer-employee relationship than does a wages or salary system.¹⁵⁴ In the latter, there is a direct confrontation of

¹⁵⁴I should make it clear at the outset that I do not mean to imply that the organizational patterns analyzed in these chapters can only be found where a commission system prevails. The key variable is bargaining power; the commission system is the form which it takes in this case. I would hypothesize that employees in strong bargaining positions (for example: movie stars, star athletes, outstanding scholars) always produce problems of control for management and a need for flexibility which would be hampered by a set of formal rules. Commission

interests between the two sides. An increase in wages means a decrease in company income, at least in the short run. In a commission system, the agents' income and that of the company rise and fall together.¹⁵⁵ The more money an agent makes for himself, the more he makes for the company. This makes the company directly dependent upon its agents for its income, and puts agents in a strong bargaining position, especially the most successful agents.

Because of the income-prestige hierarchy which sets them apart, and the competition and ambivalence which typify their relationships, real estate agents do not bargain collectively or even set informal productivity levels. They deal with the company through a set of discrete dyadic relationships. We shall now analyze these in some detail.

Terms of the Exchange

Real estate firms employ salesmen in order to acquire income through housing sales. This is obvious, but the reasons for the agents agreeing to work for a broker and to surrender half his commission are less obvious. They are as follows:

systems would also undoubtedly have different implications in organizations where salesmen sell products manufactured by the organization.

¹⁵⁵This is assuming, of course, that commission rates are constant. The company is still in a powerful position in that it sets the rates. It must set them high enough to compete with other companies and to attract competent salesmen. Newer and smaller firms often offer higher rates to compete with larger, more established companies who offer better services and attract more clients through being better-known. This power of the companies to fix rates does not alter the fact that the incomes of agents and companies vary directly with each other, once the rates are set.

(1) Before a person can work as a broker, he must have had at least two years experience as a real estate salesman, according to the Real Estate Brokerage Act of the Province of Quebec.

(2) Individuals usually lack sufficient capital to set themselves up as independent brokers who can compete successfully with established firms.

(3) The company has an established reputation in the community, and the agent can profit by identifying himself with this reputation.

(4) The company provides office space, an advertising allowance, secretarial service, and real estate records for the new agent; it gives him a base of operation.

(5) By working for an established firm, an individual can learn the business through contact with managers and other agents.

(6) Through the company, he gains access to the listings and clients of its other agents.

(7) A portion of his leads and listings are provided by the company.

(8) The company arbitrates in disputes between agents.

In return for these various advantages, agents pay half their commissions to a broker. Most of them express little or no reluctance about this.

Nancy King. I get this office, the telephone, free advertising, the name of the company ... I've got no desire to be a broker. I'll settle for my 50 per cent.

Fred Townsend. I think that's obvious (why he works for a company). It takes away the risks. (?) And you get all the aids, facilities, and the reputation

of the company. It's a kind of insurance, people have no worries about cheques from Highgate Realities Company. They know they're not going to screw you.

David Curzon. The trouble is that you don't learn anything on your own. It's better to be with a big company. It's worth losing half the commission here for the help you get and what you learn.

Privileges of the More Successful Agents

Given this exchange, the characteristic features of the relationship between company and agent emerge. The first is the differences in bargaining position among agents according to their sales levels. The highest-producing agents provide more income for the company which is therefore more dependent upon them. In Highgate's 1969-70 fiscal year, of the fifteen agents who worked throughout the year, the five most productive were responsible for 49.5 per cent of sales. Peter Green, the top producer, sold more than three and one half times as much as the least productive agent.

Since they produce more revenue for the company, the top agents expect and receive more in return. The most obvious, visible expression of an agent's relative standing in his office. The more successful agents have offices "upstairs" on the ground floor, and offices which provide more privacy than those of the less successful agents downstairs. The first advantage of being upstairs is that both the sales managers' offices are there: it is therefore easier to go to the manager with a problem, and also easier for the manager to contact the agent when he receives a lead that needs prompt attention. Secondly,

the agent benefits from being close to the other top agents, making them available for information and sales co-operation. Thirdly, four of the five secretaries, and most of the departmental files and records are upstairs. Finally, the switch-board is there making upstairs agents more accessible to the operator. She always knows when they are in, and if they are busy. If a person calls and wants an agent without specifying whom, it is easier to call to one of the upstairs agents than to call downstairs on the intercom.

Eight of the 20 agents had upstairs offices during my research. These included the top 5, and 6 of the top salesmen for 1969-1970. For 1970-1971, however, the proportion had fallen to 3 of the top 5 and 5 of the top 8. This is because time with the company and availability of space are also important. Agents typically start in a downstairs office, and then move upstairs when they become very successful. But they can only do this if a space is available. This was the situation for Fred Townsend in 1970. He had risen to become the third highest producer, but no space was available upstairs. The managers are reluctant to move somebody down, although Young was considering moving one agent whose production had dropped considerably.

Privacy is important because it is the only way to ensure secrecy. Much of the agent's time in his office is spent phoning clients and vendors, and he prefers to keep this communication private. He wants as little distraction as possible, and is suspicious of other agents' stealing his clients. Upstairs agents sometimes meet clients in their private offices, but

downstairs agents always come up to meet them, and talk to them outside while showing houses.

Of the six offices upstairs, four are fully enclosed rooms, and the remaining two are separated from the surrounding space by high partitions. One of the enclosed offices is shared by Peter Green and Marie Lacroix, and one of the partitioned ones by Jack Fraser and Danielle Tarcot. John Neal (the agent who is also a director), Joan Reid, and Dan Nester have private enclosed offices upstairs. Green, Lacroix, and Reid have been the company's best agents over the past few years; Nester has been there longer than any other agent and is quite successful. George Lidstone, another long-term, fairly successful agent, has a partitioned office to himself.

Downstairs, by contrast, most of the office spaces are small, are only partly separated by small partitions, and two agents must share these small spaces. There are only two enclosed offices: Fred Townsend has a small one to himself, while Bob Coles, another long-term agent, shares the other with Frank Martin who recently moved in. I commented upon Martin's move and he replied: "Yes, I've got a promotion!"

In exceptional circumstances, an agent can get a good office without having to work his way up. When Joan Reid was enticed to leave another company and join Highgate, she was given a large private office next to Jim Young's. Danielle Tarcot was offered an upstairs location when the company were trying to hire another French-Canadian agent.

The relatively privileged position of the stronger agents is also shown in other ways. They are given a certain deference

at sales meetings: they have more opportunities to speak, their ideas are received with more respect, their suggestions are more often acted upon, and they can add extra houses for the caravan when other agents cannot. Top agents also receive most of the best listings and leads distributed by the company. Young insists that he spreads these evenly among all the agents, and this may be true in terms of numbers. But the top agents are offered most of the more expensive listings and richer clients, and they are usually given first choice about which leads they would like to follow up.

Case 9a. Top Agents Receiving First Choice of Leads. This case shows the strong position of Peter Green in the distribution of leads. Green enters sales-manager Young's office. Young congratulates him on his latest sale, and then asks for his opinion about his plan to open a branch office. Green does not respond to this, but interrupts to ask Young whether a new procedure which he had suggested has been implemented yet.

Peter Green. What has happened about the expired MLS's?
Jim Young. (takes a note-book out of his drawer) Miss Sumner has gone through them all. They are all in here. Have a look at them. Some of them are former listings of our agents, so I think they should get first crack.

Green. Of course.

Young. But I don't know about this one. It used to be our listing. It's the Stevens' house, listed at \$100,000. I can't see why we lost it unless the agent wasn't doing his job, so I don't know if I should give it to him again or not. Well, do you want any of these, Pete? I could let you look at them over night, and then we could let the others have their chance.

Green. I will show you, it can be done much more efficiently.

Young. Okay, Peter, come and see me. (Green leaves with the book.)

In case 9a. we begin to see how the top agents'

privileged status is due to their strong bargaining position with the company. The managers must satisfy them or risk losing them to a competitor. Top agents are very difficult to replace, and other companies are only too willing to accept them. In disputes and discussions between two agents, the company invariably favours the more successful.

Case 9b. Manager Favouring Stronger Agents Against Weaker. The agents are discussing what a person should do when he picks up a client for an unfamiliar area during his duty hours. Should the client be given to another agent who knows the area better? Teresa Verge (at the time a weak agent) makes a suggestion that would benefit the newer agents, but it is rejected by Young because it would not be "fair" to the stronger agents.

Peter Green. I think that we should give the client to you (Young), and that you should decide who should get it.

Teresa Verge. In some cases I think we should share the client with another agent and the commission should be split. For example, a new agent could share a client with Joan Reid.

Jim Young. I don't know if that would be fair to Joan. She does not want to spend her time working for only part of the commission.

Green suggests that the clients be turned over to Young for redistribution, realizing that he would do well by this.

Verge suggests sharing between weak and strong agents, thereby ensuring that she would get at least half the benefit. Young objects that it would not be fair to the strong agents, implicitly guarding his right to give them the best leads.

Generally, the favouring of top agents is acceptable to the others as well, particularly new agents who believe that they are on their way to becoming successful.

Frank Martin. The most expensive listings only go to the two or three top agents. The company gives them to them. I agree with that, I agree 100 per cent. After all, they've been working for the company for a number of years. If I work here for a long time and still don't get any good listings, then maybe I'll go to see somebody about it, but right now I agree with how things work.

Some of the agents, the Marginals who remain in a weak bargaining position over the years, resent their position, but realize there is little they can do.

Case 9c. Weak Bargaining Position of Less Successful Agents.

Usually, when an agent goes on holiday, he asks a colleague to look after his listings and clients with the understanding that the commission would be shared should a sale occur. But sometimes the agreement is not clearly defined in advance. I was surprised to learn of a case in which a Marginal had sold a house to a client of a Perennial High Producer while the latter was on holiday, but she did not expect to receive anything. I asked her whether she would get part of the commission:

Pauline Winter. Ha! Well, I should do, but Marie is a hard one to get anything from. I sent in a statement to the company suggesting my commission as 50 per cent. But I probably won't get it.

The Marginal could not refuse to co-operate with the Perennial High Producer even though she knew it would be difficult to receive any of the commission, because weak agents depend upon access to the many listings and clients of the strong and cannot afford to risk an action which might harm their relationships. Weak agents hope for but do not expect help from the company in dealing with their more powerful colleagues.

The position of the less successful agent is analogous to the industrial employee in one important respect: he is easily replaced. Indeed, lacking the support of a union, and lacking any guaranteed income, the weak agent suffers from a lack of security which is more severe than for most jobs. As we have seen, new agents receive a minimum of help in breaking in: the company cannot afford to give them too many good leads and listings for fear of losing its top performers to rival companies. There is an implicit alliance between the company and its star agents at the expense of its newer and less productive ones.

From this discussion, it may appear that real estate companies are themselves in weak positions vis-à-vis their top agents. This is so to only a limited extent. Although individuals can achieve strong positions, real estate agents collectively are weak. The prestige hierarchy and the mutual suspicion and ambivalence which characterize their relationships, and their individualistic, entrepreneurial ethic, effectively prevent them from forming an occupational organization to bargain collectively with management. Brokers, by contrast, have consolidated their position collectively through the Montreal Real Estate Board. The Board has been responsible for having the Real Estate Brokerage act passed making agents work for a broker for at least two years, and agents have to work for a member of the Board to enjoy the advantages of the MLS system.

Individually, large brokerage firms like Highgate Realities are in quite a powerful position, because even strong agents would find it difficult to compete with their reputation

and services either by joining a small company or by starting their own firm.

Because there is much bargaining power on both sides, and because there is no clear expression of the rights and obligations of each in an employment contract, relations between Highgate Realities and its agents are continually being tested and re-negotiated. This makes for a certain tenuousness in the relationship.

The Tenuousness of Agent-Company Relationships

The tie between agent and company is typically tenuous. The agent is very independent in his work, and spends most of his time away from the office with his clients. His success depends upon his ability to list and sell houses. He needs a base of operations for this, but it is of secondary importance where that base is located. Since he has much contact with outside agents and brokers in his work, the problems involved in moving are minimal.

If he moves, the agent must give up his listings to others in the company, and this is the greatest cost involved. But if he is a weak agent, he probably has few listings to lose; and if he is a strong agent, he is bound to receive much initial help in getting re-established in his new company. When they move, agents contact their old vendors, and try to persuade them to renew the listings with them when they expire. I asked Danielle Tarcot about it when she first came to Highgate:

Researcher. What happened to all your old listings at Rosewood?

Tarcot. I had to leave them with the broker, of course. I guess that's only fair, but I had 18 listings!

Fred Townsend. Maybe you can contact some of your vendors and get some of your listings back again.

Tarcot. Yes, I'm trying that. I'm going to phone them all up, and explain to them that I'm now with Highgate Realities.

Clients present much less of a problem. They have signed no contract with the company, and it makes little difference to them whom their agent is working for.

There are few secondary sources of commitment for the agent to the company. Highgate Realities does have a pension plan and an insurance scheme for its members, but the benefits are comparatively slight. George Lidstone explained it to me when I joined him and Bill Wells on a caravan.

Lidstone. I was just saying to Bill, Doug, that the company has a very meagre pension scheme. They used to pay \$10 a month, but since the province has started paying into the scheme they only pay \$40 a year. When I retire they'll end up paying me \$10 a month. That's about enough to keep a person in cigarettes; well, I don't smoke so I suppose it would pay for my liquor for the month. It's a lot different from some places where they pay up to one-half of your salary when you retire!

Researcher. Do any real estate companies have good pension plans?

Lidstone. No, just the big corporate companies, real estate salesmen, I guess, are too small time.

Transactions between agent and company are conducted on a day-to-day basis. Since there is no generally accepted set of criteria by which the two sides are governed, every new problem leads to a new series of negotiations. This means that there are many opportunities for conflict to occur, any one of which might disrupt the relationship because there is no social mechanism for controlling it. Peter Green recognizes this problem, one which is common to dyadic relationships, and suggests that the real estate board could usefully function as

a mediator in agent-company disputes.¹⁵⁶

Green. The real estate board here doesn't really deal with a lot of important problems. For example, they need some kind of ethics board to deal with minor disputes between an agent and a company. Most agents move over minor disputes. I knew a man who left his agency a little while ago over a dispute about \$7.50. It's ridiculous when you consider that he was making over \$15,000 a year for the company. Many of the agents we have here left their old firms over minor quibbles - Miss Lacroix, Miss Verge, and Mrs. Crawford, for example. And we've lost a number of good men from here for silly little reasons. Do you know why I left here when I did?

Researcher. No, I don't.

Green. It was over the switch-board; the girl there was much too busy and you had to wait ages for an outside line. That's ridiculous when you consider how important it is to an agent to contact a client right away. I kept after the company about it and they kept saying they'd do something about it, but as time went by I realized that they never would so I left. If we had some sort of board to settle these things, the situation would be much better.

Disruptions in agent-company relationships are also common where the sales managers act as arbitrators in a dispute between two agents. As F. G. Bailey demonstrates, persons in these "umpire rôles" are in precarious positions.¹⁵⁷ They must try to satisfy both parties, but this is not always possible. Where a strong agent is in conflict with a weak one, the solution is relatively simple: the company arbitrates in favour of the stronger party. If the weak agent decides to

¹⁵⁶The general proposition has been formulated by Georg Simmel:

The dyad represents both the first social synthesis and unification, and the first separation and antithesis. The appearance of the third party indicates transition, conciliation, and abandonment of absolute contrast.

The Sociology of Georg Simmel, ed. by Kurt H. Wolff, (Glencoe: The Free Press, 1964), p. 145.

¹⁵⁷F.G. Bailey, Strategems and Spoils (Oxford: Blackwell, 1969), p. 140.

leave the company, he is easily replaceable. But where two strong agents are involved, the situation is particularly difficult. Concessions can be made to the losing party, but the managers must be wary of conceding too much or they will undermine their authority with the other agents. The cross-pressures involved in this arbitrator role are illustrated in the following cases, the first resulting in concessions being made to the losing party, the second in one of the agent's leaving the company.

Case 9d. Arbitration With Concessions to Strong Agent. Marie Lacroix has had a client who has also been dealing with an agent from an outside company. This other agent, Miss Beech, tells the client about one of Joan Reid's listings, and phones to ask for a split. But it is a new listing, so Reid cannot give a split. The client says that she really wants to see the house, but she refuses to go with Lacroix. Miss Beech then phones back, and suggests that Reid take over her client and show the house. (Reid later told me that Beech had owed her a favour.) Reid talks it over with Young, and, without consulting Lacroix, shows the house. The client buys it, and Reid claims both the listing and selling share of the commission. At this point, Young comments:

Young. Now Marie is really up-set, she left Frank Jones Realities one time before over some such thing. You really have to handle these things at once before they blow up into something big.

Young and Don Lane then meet with Lacroix. She makes a fuss and threatens to leave the company. In order to pacify her they give her \$500 and at least one new listing. (Reid's

version is that the company gave \$300, and she gave \$300.) When Fred Townsend is told the story he complains to Young that he doesn't think Lacroix deserves anything. Young's response expresses the difficulty of the umpire role.

Young. No, but you know what sort of a temper she has, she rants and roars around the office, and before long the whole place is upset. The thing was partly my fault because I should have got together with Joan and Marie before I told Joan to show the house. It's really a hard job to keep everybody happy around here.

Case 9e. Arbitration With Losing Party Leaving the Company.

Nancy King has gone away for four or five days and left a client with Geoff Foster; the client wants to see a particular house again, and they agree that if he buys it they will share the commission. Foster shows the house, but the client decides not to buy. He asks Foster to show him houses in another area, but Foster does not know the area so he turns him over to Fred Townsend. Townsend succeeds in selling him a house in the new area. Foster then tells Townsend that the commission has to be shared with King. Townsend objects, because he has not been told before, and claims all the commission. Young then holds a meeting with Foster and Townsend, and they agree that Townsend should get the full commission. (Young claimed later that he felt King should have been at the meeting as well, but he could not contact her.) When Nancy King hears what has happened, she meets Young and Don Lane in Lane's office, and becomes very upset.

Young. She said I'd knifed her in the back, and rushed out of the office saying that it was all finished. We decided that it would be best to let her go and put in a notice that she was no longer with us. Then she wanted to come back, but I decided that we couldn't do that because our authority had to be respected, we didn't want it to look bad to the other agents.

Young later told me that he probably made a mistake in the handling of this case: he should have waited to make a decision until King had returned, and he lamented that the whole affair had been very unfortunate.

Both these cases involve conflict between agents with the managers involved as arbitrators. When management decided in favour of one of the agents, the disfavoured agent attempted, successfully in one case, and unsuccessfully in the other, to use the threat of resignation to gain concessions from the company. The Perennial High Producer, Marie Lacroix, succeeded, where the Regular, Nancy King, failed.

These continual negotiations and tests of strength between agents and managers reflect the duality of the agent's position as partly independent entrepreneur and partly dependent organization man. The terms of reciprocity are not clearly defined in a contract. Indeed, they cannot be because they vary as the success level of an agent rises or falls. Since the terms of reciprocity are continually being tested, the relationship itself is always vulnerable to temporary or permanent disruption.

This tenuousness is one of the reasons for the high turnover rate of agents in the department. Of the 20 who were there when I began my research, 8 (4 Abortives, 3 Marginals, and 1 Regular) had left before I finished 18 months later, and 10 new agents had been hired. There were only three agents, all Regulars, who had been with the company for more than five years. The statistician of the Montreal Real Estate Board confirmed that the turnover rate among real estate salesmen is

high throughout Montreal.

M.R.E.B. Statistician. You know, there's a lot of turnover in real estate salesmen. Of course, it's like that in all sales operations. It's not the same with the brokers. You find that they're pretty static. It's hard to pin down the turnover rate of salesmen but I know it's high.¹⁵⁸

Many other factors contribute to the high turnover rate: the difficulty of new agents in breaking in given the sink or swim approach of the company, the drive for upward mobility of the most successful agents, and the ease of moving from one company to another. The high mobility rate in turn reinforces the tenuousness of the agent-company relationship and the relatively low degree of group cohesion in the department. A striking feature of the daily activities within this group is an apparent lack of organization. There are few formal rules, and no effective enforcement of those formal procedures which management have attempted to implement.

Organization Without Formal Rules

Formal rules within organizations are not simply a source of efficiency,¹⁵⁹ but are also a means whereby control is exerted at a distance by higher managers over lower level employees.¹⁶⁰ In most capitalist work organizations, this constraint rests upon institutionalized inequality in the

¹⁵⁸Hughes, "The Growth of An Institution", reported similar findings for Chicago in 1922.

¹⁵⁹See Max Weber, The Theory of Social and Economic Organizations (New York: Oxford University Press, 1924); and Amitai Etzioni, Modern Organizations (Englewood Cliffs, New Jersey: Prentice-Hall, 1964).

¹⁶⁰See Alvin W. Gouldner, Patterns of Industrial Bureaucracy (Glencoe, Illinois: The Free Press, 1954).

wages-for-work employment contract.¹⁶¹

The services-for-commission reciprocity, by contrast, does not give rise to a set of formal rules as an integral feature of the residential sales department of Highgate Realities. There are, of course, some generally agreed upon procedures: for taking listings, accepting offers, compiling advertisements, and exchanging information in the daily Notes for Salesmen. But these are not prescribed formally; they rest upon mutual agreement among managers and agents rather than enforcement by managers.

In the first place, the lack of formal rules reflects the nature of the agents' work. It is unpredictable, and non-coordinated, making it unsuitable for formalization. Since the agents do not perform specific tasks for the company, there can be no rules governing such tasks. On the other hand, the agents lack the collective power to regulate the services they receive by imposing formal rules upon the company. There are, however, certain recurrent problems of co-ordinating agents' behaviour,¹⁶² but even where effective formalization is possible, it seldom occurs. In this section, I shall attempt to

¹⁶¹See Krohn, "Conflict and Function."

¹⁶²Recurrent problems is the main criterion for the emergence of formal rules and for their efficiency according to Etzioni:

Rules save effort by obviating the need for deriving a new solution for every problem and case; they facilitate standardization and equality in the treatment of many cases. These advantages are impossible if each client is treated as a unique case, as an individual.

Op.cit., p. 53.

explain this lack of formal rules in terms of the services-for-commission reciprocity and show that, although it has costs in terms of efficiency, it also has benefits for managerial flexibility in dealing with agents.

I shall describe two routine examples which fit Etzioni's criterion of recurrent problems but for which no formal procedures have been set. The first example illustrates a recurrent problem to which no solution at all has been established, and the second one for which the sales manager has attempted to set a rule verbally but has met with only limited success and has developed no method for dealing with offenders.

Example 9a. Keys. Following the sales meeting each week, the agents go around to inspect the new listings acquired by their colleagues during the previous week. They call this occasion a "caravan" because it involves 4 or 5 car-loads of agents.

In some cases the house that is to be inspected is vacant, and only the listing agent has a key. Sometimes the listing agent waits at the house until all the agents have seen it, but more often he prefers to spend his time either with a client or trying to acquire new clients and listings. In this case, he may simply leave, or he may turn the key over to someone in one of the other cars. Either way, the result is that at least one or two cars arrive at the house to inspect it but the agents are unable to get in. The agents complain when this happens but no-one has managed to think of an acceptable solution. Young occasionally suggests that it is the listing agent's responsibility, but does not insist if the agent objects, as the following discussion illustrates:

Joan Reid (listing agent). There's no need for me to go, is there? I have a key here.

Young. The trouble with a key is that the first person to go to the house takes the key, then he waits for the next person. If the next person doesn't come for ten minutes, then the first agent goes on, and when the next car comes the agents can't get into the house. It's better if the listing agent stays at the house until all the agents have seen it.

Reid. The trouble is how is the listing agent supposed to know that the last agent has arrived?

Young. Okay, we'll settle it later.

Example 9b. Lateness. When Young first came into office he decided to insist that all agents attend the weekly sales meetings, they should be on time, and no agent should leave during a meeting. In spite of his making numerous verbal appeals, the agents continued to miss meetings, to come late, and to leave during them. There was little that he could do. This was dramatically illustrated at one meeting. Five minutes after the time that it was supposed to start, Young stated that any other agents who showed up would be declared late, and he would write their names on the black-board. During the next ten minutes he wrote up three names of agents as they came in. Then, twenty minutes after the meeting was supposed to have started, the department's most successful salesman, Peter Green, came in, walked up to the black-board, and wrote his own name. The agents laughed. A few minutes later another successful agent arrived, but Young did not write his name up. Shortly after that, while rubbing something else off the board, he also rubbed off the list of names and said nothing. At the next meeting I attended, two weeks later, 6 of the 22 agents who came were more than 5 minutes late. Since Young is a respected leader, we can assume that this lack of formal organization is due not to

personal, but to structural features.

The commission system deprives the company of its major potential source of control over the agent's behaviour, his income. Whether or not he is late or absent from sales meetings, writes up his daily report sheet, or keeps his records up to date, may have little or nothing to do with his performance in selling and listing houses. As long as his sales record is good, the company has no real cause for complaint and is reluctant to risk a confrontation over secondary matters. The opposite is also true: if an agent is not producing, he will be threatened with dismissal and eventually fired despite his performance in these daily activities.

Formalization and Flexibility

It must not be supposed that, because of the minor inefficiencies resulting from the lack of formal rules, the overall results are detrimental to management in achieving its goals. On the contrary, the advantages outweigh the disadvantages. Any formal set of rules implies that those governed must be treated "equally before the law". In this case, it would mean that all agents would have to be treated equally and fairly. But this is exactly what the company, as represented by its managers, must avoid. It wants to be able to give preferential treatment to its more successful agents, and indeed must be able to do this in order to keep them satisfied. Lacking a system of formal procedures, management is able to deal with issues as they arise on an individual basis. Decisions are made through negotiation between agent and manager, and what is

decided depends as much upon what particular agent is involved as upon the nature of the issue. In any negotiation, the more successful the agent, the more likely it is that the decision will be in his favour.

A number of policies illustrate how the flexibility of informal procedures is advantageous to the company (owners and managers) and to the most successful agents. Employment policy is one example. The company offers special concessions to successful agents from other firms who show an interest in moving. These include private offices on the ground-floor, an initial drawing account while the agent is getting established with his new firm, and a number of good leads and listings. The same freedom is enjoyed by the company in dismissing personnel. When an agent is not producing, it is free to fire him and he has no redress.

Flexibility is seen as well in the distribution of leads and listings. Young is free to give the best leads to agents like Peter Green and Marie Lacroix. Some of the others feel resentful about the distribution of leads, but this is minimized because no formal rule of lead allocation is being violated. There are also no rules governing reciprocal agreements among agents, which again works to the advantage of the stronger agents. (See Case 9c., page 247) The lack of formal restraints benefits management and the stronger agents and acts to the disadvantage of the weaker agents. It reinforces the implicit alliance of the stronger against the weaker.

The advantages to management of dealing with each case separately on a personal basis rather than being constrained by

a set of formal rules are greatest in negotiating disputes between agents. It gives them the freedom to resolve conflicts in favour of the stronger agent, or to compensate a strong agent where a case has been decided against him.

I will describe two cases of conflict which represent a quasi-experimental field situation to illustrate the processes and problems involved. All agent-agent conflicts are considered minor crises by management; they immediately drop all else they are doing and try to arbitrate between the two parties to bring about a settlement as quickly as possible before the situation becomes too disruptive. Management is faced with the dilemma of trying to satisfy both disputants while maintaining its own position of authority. The higher the success level of the two agents involved the greater the crisis, because of the danger that at least one of them will leave the company if the conflict is not resolved to his satisfaction. The two cases which follow both involve the same Regular agent, George Lidstone, in conflict with a Perennial High Producer. In the first case this is Marie Lacroix, and in the second Peter Green. Both cases concern disputes about potential purchasers where Lidstone accuses the other agent of unfairly "stealing" his client.

The independent variable is the presence or absence of a formal rule governing the situation. The first case occurred when the registration system for clients was in effect, the second after the system had been abolished (see pages 217 and 218). In the registration system, each agent would register his client's name in a book which was kept in the main office,

and no other agent was permitted to take that client out and try and sell him a house. The system was introduced as a control upon competition among agents, but it had two unintended consequences which proved problematical for the company:

(1) where clients were dissatisfied with the agent's service, they could not go out with another representative of the company, so they would turn to agents in other companies; and

(2) when the rule was broken, particularly if it was broken by a very successful agent, the company was placed in an embarrassing position by either having to enforce the rule and thereby dissatisfy the offending party, or not enforce it and thereby undermine its legitimacy among the rest of the agents. Although the registration system had been in effect for approximately thirty-five years, management and agents were unanimous in acclaiming that it was better not to have it once it had been abolished. This happened shortly before I began my research.

The first case which follows was related to me by a reliable informant, George Lidstone. The second was discussed in detail in my presence by Young and Don Lane, the General Sales Manager.

Case 9f. Lidstone had had a client whom he had registered. But Lacroix "stole" the client from him and eventually sold the client a house. Lidstone complained to management and said he wanted part of the commission. Management wanted to know why Lidstone had lost the client. Lacroix claimed that the client had dropped him for poor service, but Lidstone denied

this and argued that that was what an agent always said when he stole somebody else's client. The managers ruled that Lacroix should pay Lidstone part of the commission. She became angry and threatened to leave the company. They responded by giving her a number of "assists", i.e. good listings and leads to new potential purchasers. According to Lidstone: "In the long run she made eight or ten times the amount she paid me." This is only a guess by him, and is undoubtedly exaggerated. The company did manage to pacify both agents, but did not manage completely to satisfy either of them, and other agents also suffered by having their share of assists reduced.

Case 9g. The events of this case all occurred within a week. Lidstone made an appointment with a client, Mr. Spencer, on Sunday to show him houses on Wednesday. On Monday morning, the client's wife phoned the company and her call was put through to Peter Green. Green then made arrangements with Mrs. Spencer and took her out to see houses that day. When Lidstone found out about this, he got into a row with Green in the main office. The managers intervened and talked with both agents. Green claimed that Mrs. Spencer did not know about her husband's appointment with Lidstone. The managers decided that Lidstone was at fault: he should have arranged to take Mrs. Spencer out on Monday when he was talking to her husband the day before. The managers also encouraged Green in his plans to take her out again to see more houses. Lidstone later apologized to Green. Young felt that Lidstone

had come "to see Peter's side of it". My impression is that Lidstone continued to resent what had happened, but realized that he could gain no concessions and could not afford to remain on bad terms with the managers and the company's most influential agent. At any rate, management were entirely satisfied with the outcome. Don Lane concluded his discussion of the case with Young by saying:

Anyhow, Jim, this case shows how we might have lost the client under the old system, because instead of phoning Peter, Mrs. Spencer would have gone to the houses with an outside agent!

A comparison of these two cases clearly illustrates the advantages to the company of being free to deal with each situation as it arises without being constrained by a set of formal rules. In the first case, Lidstone went to management with a legitimate claim against Lacroix as formalized in the registration system. This placed management in the uncomfortable position of having to enforce its own rules against one of its top agents. This was very risky from their point of view, as is shown by her threat of resignation. The threat was countered by the company having to give her a number of concessions as compensation. If the registration system had not been in effect, these problems would not have arisen, since Lidstone would have had no basis for complaint. By abolishing the system, (because they were losing clients), the company unintentionally increased its overall efficiency by eliminating a source of administrative problems.

In the second case, Lidstone again appealed to management as arbitrator. But this time he was not supported by any formal

rule, and could appeal only on the basis of some vague moral sense of "fairness". The company felt no obligation to satisfy this claim, and were able to avoid the difficulties involved in a confrontation with their most successful salesman. As in the examples of listing distribution, employment policy, and co-operation during vacations, management and the most successful agents gain by there being no formal system of rules, while the less successful agents lose out. I heard of no cases not covered by a rule in which management decided in favour of the weaker agent.

The causes and consequences of a lack of formal rules, even for the recurrent activities of the residential sales department of Highgate Realities, can be more systematically stated:

Causes

- (1) The services-for-commission system makes it very difficult for management to enforce a system of formal rules in the department, because it has no direct control over the agents' income, and because the top agents are in a strong bargaining position in their dealings with the company.
- (2) Agents rank themselves according to a distinct prestige hierarchy based upon their success in selling and listing houses. This, combined with the highly competitive nature of the work, produces an individualistic ethic, a lack of group-solidarity, and an absence of collective bargaining with the management. There is no impetus toward

formalization of procedures from the agents.

Consequences

- (1) The lack of formal rules leads to certain inefficiencies in the day-to-day activities of the members of the department. In many cases this works to the disadvantage of the organization, but management is unable effectively to institute procedures to deal with these problems.
- (2) In many ways, the lack of formal procedures is advantageous to management. It allows them the flexibility to deal with issues as they arise on the basis of the particular contributions of the individuals involved. The gains to the company from this flexibility more than out-weigh the losses from inefficiency in other areas.
- (3) The lack of formal procedures is advantageous to the more successful agent; it allows them certain privileges in their terms of employment, in receiving leads, and in disputes with other agents.
- (4) Conversely, the weaker agents are disadvantaged by job insecurity, by receiving poorer leads, and by a weak bargaining position and lack of company support in dealing with stronger agents. They miss the protective function which formal rules provide the weaker members of a given organizational stratum.¹⁶³

¹⁶³See Michel Crozier, The Bureaucratic Phenomenon (Chicago: University of Chicago Press, 1964), pp. 54 - 55.

Conclusion

Within residential real estate as a socio-economic system, the company is a unit which provides services for agents in return for a share of their commissions. The unpredictability of the agent's dealings with his clients makes it mutually advantageous to company and agent that he work on a commission basis. Mutual competition and distrust among agents mean that company and agents negotiate through discrete dyadic relationships. Agent-company relations then vary according to their respective bargaining power.

Dyadic negotiation, with no arbitration, makes for a certain tenuousness in the tie, which is reinforced by the ease with which an agent can switch companies. The services-for-commission reciprocity deprives managers of direct control over agents. There are few formal rules because they cannot be effective, and because they would interfere with the flexibility of negotiations.

Chapter 10

HIGHGATE REALTIES AS AN ORGANIZATION

The reverse employment relationship between company and agent is fundamental to understanding the residential sales department of Highgate Realities. But it is not the only principle which governs behaviour within the organization. Analytically, three organizational principles can be distinguished:

- (1) the principle of reciprocity, in this case services-for-commission;
- (2) the principle of ownership which is the basis of formal authority; and
- (3) the principle of collectivity, which refers to emergent group properties within the organization.¹⁶⁴

The principle of reciprocity was the main concern of the last chapter. The second principle derives from the wider institution of private property with its legally enforceable rights of ownership. This principle of ownership is the basis

¹⁶⁴This analytical distinction is developed here to help explain this one case, but it may be more generally applicable. It draws upon the work of a number of organizational sociologists. For example, Homans' internal system corresponds to collectivity. Selznick's organization corresponds to formal authority, and his institution to collectivity. Krohn stresses the independent importance of reciprocity. George C. Homans, The Human Group (London: Routledge and Kegan Paul, 1957); Philip Selznick, Leadership In Administration (London: Harper and Row, 1966); Roger G. Krohn, "Conflict and Function: Some Basic Issues in Bureaucratic Theory," BJS, 22, 1971, pp. 115 - 132.

of the power and control of the company's owners and managers.¹⁶⁵
It is also the source of "company goals", which are really the goals of the owner-managers.

My data do not permit an analysis of ownership and higher management at Highgate Realities.¹⁶⁶ From the perspective of the members of the residential sales department, the principle of ownership imposes itself as an external force to which they must adapt, although occasionally agents' suggestions can influence company policy through the mediation of the sales managers.

These first two principles will be dealt with in this chapter in terms of how they relate to leadership, but the main focus is upon the third principle of organization, collectivity. The legal rights of its owners, and the reciprocal agent-company tie are basic to Highgate Realities but, if behaviour was solely in accord with these two principles, we could hardly call the company an "organization" at all. Organizations are groups, and as such display collective characteristics which are not found in simple dyads.

Two of these have been mentioned in passing: the development of informal norms and procedures to guide and

¹⁶⁵At Highgate Realities, ownership is still closely related to management, although there is some conflict between lower managers and higher owner-managers. The separation of ownership and control in some large organizations may call for a different conceptual principle not covered in the schema used here.

¹⁶⁶The make-up of this group was described in Chapter 2, p. 35.

co-ordinate behaviour, and the role of the third party as arbitrator in disputes between two members. Although they are neither well-articulated nor well-enforced, we have seen that a set of norms has emerged to guide agents' interaction among themselves,¹⁶⁷ and procedures for some recurrent activities, such as taking listings, have been agreed upon with management. These norms and procedures are effective through mutual consent rather than through the kind of unilateral enforcement that is necessary for effective formal rules. The importance of the third party for social control has been shown in a number of cases where some members of the department (managers) act as "umpires" in disputes between other members (agents). The agents implicitly agree to abide by managers' decisions for the sake of preserving peace within the group.¹⁶⁸

Two other important collective characteristics will be discussed in this chapter, leadership and ritual. All groups need to make collective decisions. Those who make and enforce decisions binding upon others have "power" within the group.¹⁶⁹

¹⁶⁷See the discussion in Chapter 8, pp. 219 - 221.

¹⁶⁸Because of their greater reciprocal bargaining strength, the more successful agents win in these disputes. Social control then involves the "cooling out" of the weaker agent by a manager. Exceptionally, the loser may opt out of the group altogether, as did Nancy King in Case 9e., p. 253 - 254.

¹⁶⁹I am here using the term "power" in a generic sense to cover all means by which one person can control the behaviour of others. See Richard M. Emerson, "Power-Dependence Relations", ASR, 27, 1962, pp. 31 - 41.

At Highgate Realities, there are three bases of power associated with the three organizational principles. The first derives from ownership and can be called "legal authority".¹⁷⁰ The second comes from the agent's contribution to company income, and can be called "bargaining power". The third emerges from interaction within the group itself, as some members (regardless of their formal office) show themselves more capable than others in initiating action which benefits the group as a whole. This is generally called "informal leadership". The power of a particular leader may be based upon one, two, or all three of these sources.

Ceremony and ritual are means by which groups reinforce their cohesiveness and their members' allegiance. They are usually highly developed in expressive groups such as religious sects, but are also found in elementary form in more secular instrumental groups. At Highgate Realities, where the level of group solidarity is low, there is little ritual and ceremony. But the weekly sales meeting, ostensibly held for purely instrumental reasons, is also a rudimentary ceremony for asserting and reinforcing the group. We conclude our analysis of the residential sales department of Highgate Realities by considering leadership and ritual as characteristics of this collectivity.

¹⁷⁰The authority associated with "formal offices" is delegated by owners, and rest ultimately upon the power of the state in support of private property.

Formal Authority or the Managerial Definition of Leadership

Case studies have shown that organizational charts give a misleading picture of decision-making in process.¹⁷¹ We can understand this in terms of our three principles of organization. Organizational charts reflect the self-image of owner-managers and the delegation of authority by the principle of ownership. But power and leadership also derive from the principles of reciprocity and collectivity. We will begin our analysis of leadership in the residential department of Highgate Realities by first outlining the duties associated with its formal offices, and then proceed to see how the other principles affect the decision-making process, and how power in one sphere can be converted into power in another.

From the point of view of the members of the residential sales department, the senior decision-making body of Highgate Realities is the vaguely defined body of officials comprising company directors, executive officers, and top-level managers. Any major changes initiated and proposed within the residential department, such as a change in the commission schedule, must be discussed at meetings of the Board of Directors (owners) and ratified by them before they come into effect.

Most directives from "upstairs" concern general company policy and changes in that policy.¹⁷² In response to French-

¹⁷¹See, in particular, Melville Dalton, Men Who Manage (New York: John Wiley and Sons, 1959), pp. 8 - 17.

¹⁷²Members of the residential department refer to owners and managers as "upstairs", reflecting the location of their offices within the building. This term indicates the diffuse, external nature of this authority from the perspective of the agents.

Canadian nationalist pressures, for example, the company has decided to employ more bilingual agents and secretaries, and to insist that its English-speaking employees learn French. The directives from upstairs of most immediate concern to the agents concern financial arrangements. These include the advertising budget for the department which is shared among the agents, whether or not money is available for sponsoring agents' attendance at real estate meetings and functions, and changes in the company's pension and insurance schemes.

There are two formal authorities within the residential department. The general sales manager, Don Lane, is directly responsible for overseeing the affairs of the various branches of the company's residential sales division. Lane is also a vice-president of the company. In practice, he is the communicative link between "upstairs" and the department. He also advises the branch office sales managers, discusses possible changes with them, fills in for them in their absence, and joins the branch manager in negotiation for the company with individual agents, and in arbitrating between agents when conflicts arise. The sales manager of the head office branch is Jim Young, who is responsible for running the daily affairs of the department. His role is discussed in the next section.

A simple statement of their formal status and role expectations tells us very little about real estate agents. All 18 to 20 agents have the same formal status in the organization. Their job is to list and sell houses. The company also asks them to co-operate among themselves and with management, to keep

their personal and departmental records up-to-date, and to attend the weekly sales meetings punctually.

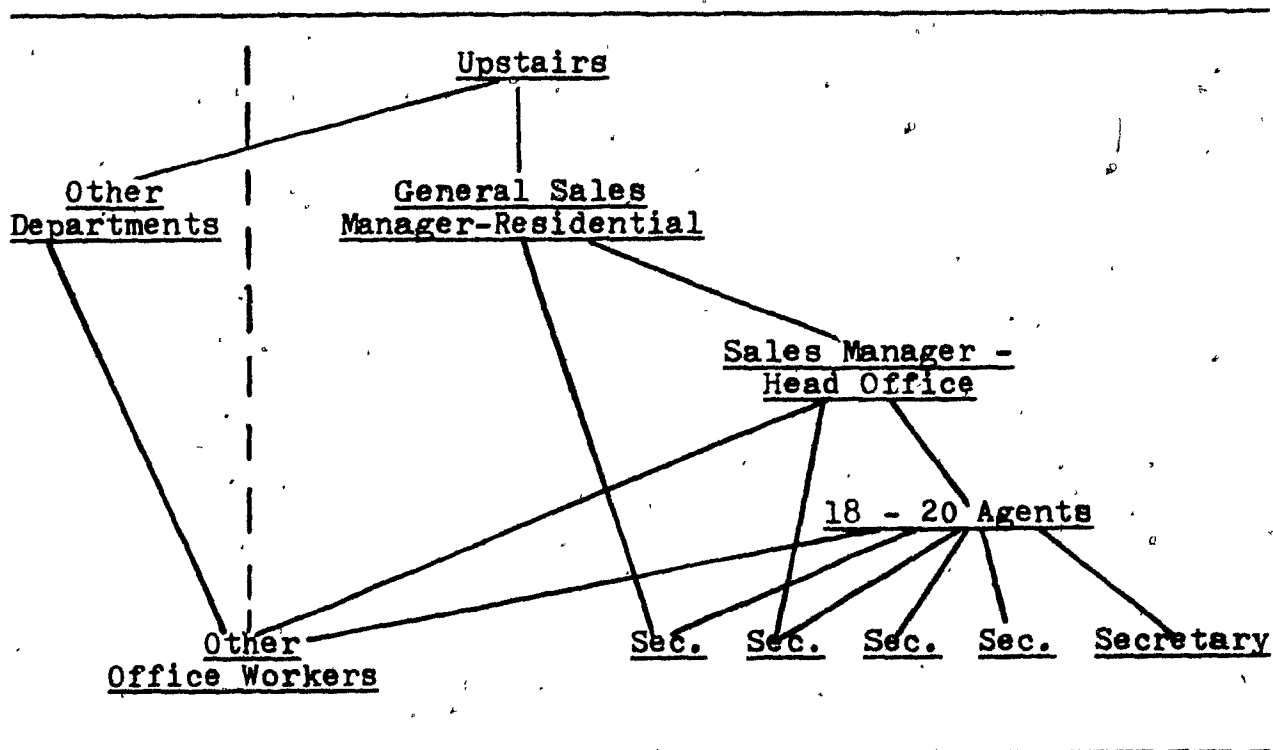
The department also has an office staff, including five secretaries, all female and all paid a low salary. Three of these have been with the department for many years, more than most of the agents and more than sales manager Young. Each of these three is secretary to a high-ranking member of the department: Mrs. Moore to Don Lane, Miss Sumner to Jim Young, and Mrs. Jacobs to John Neal, the residential agent who is a Director of the company. Each one is also secretary to 4 or 5 agents, for whom they type letters and listing forms. The two remaining secretaries are both young and have been with the company for only a short time. One is responsible for organizing the department's advertising, and the other is secretary for the remaining agents. The latter is the only secretary who has her desk on the basement floor. The other four are in the main office on the ground floor.

Three other company employees spend part of their time with the residential department. The telephone switch-board is in the main office, and the two operators, who work alternatively, handle all telephone calls for all departments. One man, Fred Warren, is responsible for office supplies for every department; while another, Jimmy Freize, does odd jobs, and puts up and takes down For Sale and Sold signs.

Formal authority within the department is shown in Figure 10a.

Figure 10a.

**Formal Authority in the Residential Department
(Owner-Managers' Conception)**



Leadership and Decision-Making

Formal organization charts give limited and misleading views of organizations in process. The administrative definition of a person's position within an organization is important in determining his behaviour, but it is not the only factor. From the point of view of the person, his formal position (assigned by owner-managers) is a resource or set of resources which he can use to further his interests including the initiation of change within the organization itself. But he also has other resources

based on the other organizational principles: the dependency of owner-managers and other agents upon him because of his sales success, and their dependency upon him for his leadership and innovation in making collective decisions within the group. We turn now to consider leadership in this wider, more rounded sense.

The predominant leader of the residential sales department of Highgate Realities during my research was Jim Young, the sales manager. His was a newly independent position; Don Lane had previously combined the managership of head office with his general role as overseer of all the branch offices. Before becoming manager, Young had been the most successful residential salesman in the history of the company. He had also been made assistant sales manager, but this was mainly an honorary position with no real function.

The owner-managers responded to three types of pressures when they created the new position and offered it to Young. The first was that, as the level of business of the various residential sales branches increased, Don Lane was finding it more difficult to combine two sets of duties and responsibilities. The second, and probably the main pressure at the time, was the company's fear of losing Young to a competitor if it did not offer him a promotion. They decided to convert Young's strong bargaining position in his reciprocal relation to the company by accepting him as a member of the owner-management group. Highgate Realities had lost a number of good men in the past because it had failed to provide new organizational positions which satisfied

their rising aspirations. Most top positions were held by the owner-members of the founding families. Peter Green and Fred Townsend discuss the problem:

Green. The main trouble with this company is that it's losing too many of its top men. Highgate Realities is becoming a good training ground for people to move on into other companies.

Townsend. There's not much chance of becoming president here! Or even a manager.

Thirdly, management hoped that, in the long run, it would improve the sales performance at head office by using Young's talent to attract business, and to give more assistance to the other agents. In the short run, it had to sacrifice the income from Young's own sales, and to offer him a salary that would satisfactorily compensate him. Lane explains the dilemma:

Don Lane. I was the sales manager for this office as well as for the whole concern. We decided it was becoming too much for one man. Fortunately, Young was available and he's a good man. Of course it was a big decision because he was making a lot of money for the company, and we had to pay him a salary to compete with what he had been earning. It was a gamble. We figured we would probably lose a bit at first. But of course his clients were still with us, and could be passed on to somebody else, and we were hoping he could bring in a lot of business. It cost a lot at first, and I had to take a cut in salary since I'd be doing one job less. But of course if it works out I'll get that back in the long run.

In other words, the ownership group hoped that their losses from ending their reciprocal relationship with Young as agent would be off-set by the gains from his contribution to increasing the output of the residential department as a whole. Young converted reciprocal bargaining power into formal authority. He now receives a salary, plus a commission based upon the total level of sales for the department.

When Young first took office there were no set formulae

to guide him, merely a general mandate to try to improve sales. To a large extent, his job has become, and is still becoming, what he has been able to make it. At first, he followed the example of Lane in most of his activities, which were:

- (1) To arbitrate in disputes between salesmen.
- (2) To deal with dissatisfied clients.
- (3) To hire new agents.
- (4) To fire low performance agents.
- (5) To organize and chair sales meetings.
- (6) To initiate new business for the company.
- (7) To instruct new agents.
- (8) To receive and distribute leads and listings which came into the company.
- (9) To act as an information channel between downstairs and upstairs, that is, between agents and higher management.

Many of the changes introduced by Young consisted of his performing these tasks differently from Lane. He was more aggressive in his hiring and firing, and increased the total number of agents employed by head office. He also broadened the ethnic base by hiring more French agents, and agents of other ethnic groups.¹⁷³ He spent more time and effort in instructing new agents, and in soliciting new business than had Lane. He also conducted Sales Meetings differently. Young was more "democratic": he encouraged participation from the agents, and introduced a topic for discussion every week. Lane had conducted the meetings in an authoritarian manner, and spent more

¹⁷³This was also partly a reflection of a more general change in company policy.

time giving pep talks than did Young.

Jim Young. The way I try to run the meetings, I want the agents to feel that they can suggest an improvement. I like to get things in the open, you can learn a lot that way. Before, the meetings used to get pretty dull. Not that I mean anything against Don, he's a great guy, but he used to run the meeting in a more autocratic way. If anybody did speak up, Don would usually disagree with him at once, and after a while, we just used to sit there and not speak up at all. It was just a monologue. Mind you, things can get more out of hand this way. Some of the agents tend to get carried away a bit. But I like to get the agents' ideas. Mind you, some of them I don't agree with.

Most of the agents liked the meetings better in the new style, although a few felt that they involved too much talk about insignificant details.

Young also introduced a number of new procedures, and modifications in old ones. The one significant complaint that agents had against Young compared to Lane was that he had increased the amount of paper work for them. Bill Wells, for example, complained: "There's more paper work now. I don't think this much paper work is necessary". This trend appears to support Gouldner's contention that "there is a close connection between succession and a surge of bureaucratic development, particularly in the direction of formal rules."¹⁷⁴ Another indication of this is Young's intention to write a booklet outlining procedures for agents; no procedures are written at present. On the other hand, in a number of ways he is less bureaucratic than Lane. He encourages more agent participation in decision-making, and is more accessible to

¹⁷⁴Alvin W. Gouldner, Patterns of Industrial Bureaucracy (Glencoe, Illinois: The Free Press, 1954), p. 94.

agents. Young's informal access to what agents are doing and thinking is better than was Lane's. The difference from Gouldner's findings may be because we are dealing here with a case of internal succession. Young is not a newcomer to the agents, and did not need to begin building up an informal communications network when he moved into his new position.

Besides doing some things differently from Lane, Young has also expanded his role to include a number of new tasks. The most important of these is to act as a kind of "general salesman" for the department. Young not only offers advice to agents, but also at times becomes actively involved in trying to attain a listing or close a deal. If a vendor or purchaser looks as though he is about to refuse an offer or counter-offer, and the agent involved feels that he has done all that he is capable of doing, Young sometimes volunteers or is asked by the agent to try and see if he can close the deal. In the following case, he attempts to save a listing that has just expired, and is about to be lost by John Mason.

Case 10a. Jim Young's Role as General Salesman. I went on a caravan with Young and John Mason. Mason was driving and he made a detour to take his sign away from a house where the listing had expired and the vendor had decided not to sell because of the unfavourable market. Mason first got out of the car and went to speak to the woman by himself.

Mason. Hello, Mrs. Duffet, I've come to take down my sign. You've made up your mind definitely have you, not to sell at this time?

Mrs. Duffet. Yes, my father advised us to wait until the market improves again.

Young. (to me in the car) I think I'll go and speak to this lady, I sold her this house. (He gets out and joins the conversation) Good-day, Mrs. Duffet, how are you these days. So you're not going to sell are you? Your husband realizes, of course, that if you wait until the market improves, it will cost you more to buy your new house as well.

Mrs. Duffet. Yes, that's a problem all right.

Young. Tell me, have you considered the possibility of buying your new house now at today's prices and renting this house until the market improves?

Mrs. Duffet. No, we hadn't thought of that. I'll mention it to my husband.

Mason. Yes, because you really want to get a bigger house. This one is too small for you. Of course you can make do, but that's hardly the way to live, is it?

Mrs. Duffet. No, it's all right for you men away half the day, but it's a bit hard on the women.

Young. Well, we'll keep in contact and if he decides to rent, we'll see what we can do. Good-bye. (Young and Mason get back in the car and we drive off.) That's a new angle that might work with these people, John. If they follow that plan, they can benefit from both types of market.

Mason. Yes, I'll keep after them on that.

In a few moments conversation, after it looks as though Mason is about to lose the client altogether, Young manages to suggest a new possibility which might keep the client as a potential renter and purchaser.

As a general salesman, Young believes that he significantly increases the number of sales of the department. Upon returning from his vacation during which sales had slumped, he explained to me:

Young. I've made myself available to the agents. That's pretty important. When I went on my holidays, we lost a couple of sales that I'm sure I could have swung. One of them was a \$100,000 house and I knew the vendor quite well.

Most agents agree with Young in this self-appraisal. Many of them have served under numerous sales managers during their careers, and, except for one man who said that "it doesn't matter what happens inside the organization, our job

is still the same", most of them feel that Young gives more assistance than any of the others.

Joan Reid. I think Mr. Young is a better man for the job. He comes right to the point. You feel that he understands immediately what you're getting at. I think that's the main thing. Mr. Young is really terrific. He's very helpful, and a very nice man. I never had this sort of assistance before.¹⁷⁵

This appreciation of Young's efforts is shared by the company as well. They attributed the continued success of the residential department during the real estate slump as largely due to Young's efforts. At the end of the company's 1969-1970 fiscal year, one of its directors, who is also a residential agent, expressed this sentiment:

John Neal. Well, I think that you'd all agree that we have managed this year to have quite a lot of success under bad conditions. And I'd like to state, Jim, that it has largely been due to your efforts. You have been a real tower of strength for us all.

Another way in which Young has been a "tower of strength", and another task that he has taken upon himself, is to provide psychological support for agents when they are in a sales slump and are feeling down. He makes himself available to agents to talk things over, encourages them, advises them, and gives them leads in order to try and boost their spirits. It is impossible to measure the effects of this "father confessor" (as he once called himself) or "guidance counsellor" role. I followed the

¹⁷⁵This statement might appear to contradict my earlier contention that the agents are, for the most part, on their own. In fact, they continue to be mainly on their own under Young. The agents' comments are from a comparative point of view. Compared to most managers, Young gives a lot of assistance, but most of the agents' work is done without assistance.

case of, one woman, Teresa Verge, who continually went to Young with her problems during a slump. She even thought of quitting real estate work at the time. With Young's encouragement, she eventually pulled herself out of the slump, and went on to become the fourth highest producer for the year in the department. Female agents are generally more willing to place themselves in this dependent position with Young. Frank Martin explains:

Martin. I think Young is a nice enough fellow. I called him once when I first started. I had an offer and he knew the vendor, he came with me when I presented the offer; it was not accepted, I'm not saying it was his fault, but I've never gone to him since. He's always going with the girls, I don't know, maybe I should ask for more help, sometimes I could certainly do with some. I don't know, I think the men are more proud. Everybody could use some help now and then but it seems that the women get more than the men, though I'm not blaming them for that.

Martin exaggerates when he says that Young is "always going with the girls". Some of them do ask for help more than the men, but he helps in presenting offers in only a small proportion of cases.

Young has also introduced a number of procedural changes in the department. Many of these have been first suggested by some of the agents, and by one agent in particular, Peter Green. Green is a major innovator, but many of his ideas for change have only been put into effect since Young has become sales manager. Young acts as a mediator between Green and "upstairs" as represented by Don Lane. Green was the department's top residential salesman for both years of my research, and was particularly valuable to the company because he was able to keep selling when market conditions were particularly unfavourable.

Young. Pete is really a good agent, one of the best. He was the man most responsible for keeping us going when things were bad last year.

Green is much respected by the other agents for his sales ability. But he is also an innovator who contributes to the department as a collectivity. He is the only agent who consistently attempts to improve departmental procedures as a means of furthering his own sales opportunities and the relative standing of the company in Montreal, and thereby benefits the other agents and owner-managers as well. Green once left Highgate Realities to work as a manager in another company, but he did not like it there because "it was rather dirty and untidy, it was a personal thing". He came back to Highgate because he thought it was one of the best companies. When he was younger, he hoped to move up into Investment selling but was not given the opportunity. Green's mobility within the company has been blocked because he has not established amicable relations with top management.

Unlike the case of Young, owner-managers prefer to risk losing Green to competitors rather than share authority with him by making him a manager. Green, on the other hand, feels that management are not progressive enough. He expresses the positive and negative aspects of his attitude toward his company as follows:

Green. Sincerity and honesty are important. Old Mr. Forester who started this company was as sincere and honest as you could get. That's why the firm developed its good reputation. Some people think that these things are not important for business but they usually lose out in the long run. But of course, Highgate Realities are not as strong as they could be. There doesn't seem to be any policy of growth by the

management. The company has to keep up with things. Soon the trust companies will have computers and then we'll really be in trouble. The managers have lots of meetings, but things tend to remain pretty much the same. I said to one of them that, as an agent, I'd like to see some change around here. I don't like to complain too much, but I would like to see this company become the leading one in Montreal.

I once asked Green if he would like to be manager of a branch:

Green. That depends. (Pauses) Yes, I could run it better than any of them.

Green has long been an innovator. He told me that he had been the first to introduce the idea of having agents names on the For Sale signs in Montreal, and that he had suggested that purchasers' deposits be kept in separate trust accounts. But most of his suggestions for change were turned down by higher management before Young took office. At first, Young was also reluctant to implement Green's ideas, but he later decided that they should be either accepted or rejected on the basis of their merit alone.

Young. Pete used to get my back up a lot first when I started this job, but I think I know how to deal with him better now. He has a lot of ideas, a lot of them good ones. First when I started I used to resist, but I came to realize that a good idea coming from one of the agents can be very valuable. If I agree that it's a good idea, then I accept it.

Many of the changes introduced by Young have been based upon Green's ideas, with Young acting as a kind of buffer to make them acceptable to Lane and higher management. Some of these changes are as follows:

- (1) the vendor's reasons for selling to be included on the listing forms through a code;
- (2) the secretaries to check systematically the expired

MLS listings of other firms, and make a list so that Highgate agents can solicit for them;

(3) a cross-filing of listings by number of bedrooms as well as area;

(4) the introduction of listing slips for exclusives similar to those for MLS listings; and

(5) the change in the commission schedule.¹⁷⁶

The most important of these changes are the listing procedure and commission schedule. Green and Fred Townsend told me about these changes:

Peter Green. This company is slow to change. I suggested changes fifteen years ago.

Townsend. And they're just coming into effect. It's only since Jim became sales manager that we've changed the listing procedure, and the commission schedule - I don't agree with that, but at least it's a change.

Previously, exclusive listings had been recorded in a book, and a minimum of information was included about each. Green wanted pink slips for each listing which gave more information and could easily be added or removed from a listing book. He comments on this change, and the introduction of lists of listings by number of bedrooms:

Green. You see these sheets here (lists of listings by number of bedrooms). Well, we finally got these this year. I'd been pressing for them ever since I came here. Another thing is these pink listing slips that we now have. Before, the company had no proper form for our exclusive listings. It was ridiculous, half the information about a house would be missing. And it's made it much better for sending out splits. The secretary just needs to send a copy of the form, before she had to put all the information in a letter that she sent out to the other company.

¹⁷⁶The change in the commission schedule was discussed in Chapter 8, pp. 232 - 234.

The change in the commission schedule was a major decision for management. Young explains how he worked as a mediator to put through the change:

Jim Young. The new commission schedule, we went through a lot of doubt and anxiety over changing that. Pete was pressing for it, of course, but he wouldn't have got it through if he was dealing with Don (Lane). I could see that his idea was better and I was able to soften Don up. There was a lot of doubt and some of the agents are still unhappy about it.

These changes, then, have occurred through a three-way relationship of innovation, influence, and power.¹⁷⁷ Green has been the innovator and has influenced Young into agreeing that his ideas would benefit the department; Young, in turn, has been able to influence the owner-managers who alone possess the power to implement the changes as general policy.

Young has introduced a number of changes on his own initiative as well. He fired three unproductive agents, and hired a number of others, including Peter Kovacs, who was the star agent in another firm that recently went bankrupt. Young was proud of this hiring.

¹⁷⁷"Influence" works by the person influenced agreeing to a course of action suggested by another, because of an expectation of benefits or fear of losses if he does not which are not controlled by the influencing party. In the case of "power", the initiating party has direct control over the rewards and punishments of the other party. Neither Green nor Young are completely powerless in the above transactions: Young fears dissatisfying and possibly losing Green, the owner-managers fear dissatisfying and possibly losing Young. Of most importance, however, is the influence of Green and Young through the principle of reciprocity, while the implementation of the changes depends upon the power of owner-managers through the principle of ownership.

Young. I hired a lot of new agents who are producing revenue for the company. My biggest coup of all was Peter Kovacs. He's at least a \$20,000 a year man. I had a good long talk with him after the company for which he worked went out of business. A lot of others were after him too, but I persuaded him to come with us.

Young also abolished the registration system,¹⁷⁸ introduced new appraisal forms for taking listings, arranged for the office to be open for Saturday business, and for the switchboard to stay open until 8:00 P.M. every evening. Finally, he stopped paying a commission for split listings. He explains why:

Young. The agents were complaining a lot because some people would just spend their time on the phone trying to get splits from outside companies, and weren't bringing in any new ones to this company. Then if one of our agents made a sale he would have to give up a share of the commission to somebody else just because he had made a phone call.

Green objected to this change on the following grounds:

Green. As the company sees it, why should somebody make a commission just for picking up the telephone? That seems like an easy way to make 10 per cent. But that's not true. It's short-sighted. I remember a house I sold to a client that I had been taking out for a long time. Young (then an agent) got a split on a house that was an exclusive of another company. Well, my client bought the house, and I was glad to give Young the 10 per cent. Otherwise, I would have had to go to a lot of trouble, and I mightn't have made the sale. We don't get as many splits now.

In spite of Green's objection, the change was put through; Young, because of his managerial position, has more power than Green. But he is also affected by his desire to satisfy Green and the other top agents, and will usually implement their ideas even if he is uncertain about the effects, and even if

¹⁷⁸See discussion above, Chapter 8, pp. 217 - 218.

weaker agents object. This was the case for the commission schedule.

Young is also attempting to use his new position to press the company into a more aggressive growth strategy. His policy of hiring more agents, and generally being more aggressive in hiring and firing illustrate this. He has attempted to persuade the company to open a mortgage department using European funds which could be loaned at lower rates of interest than that of most mortgage companies. The company has not responded to this suggestion, but they have given tentative approval to another of Young's ideas, the opening of a new branch office in a neighbouring area of the city. Young's intention is for that office to be under his management with an assistant manager on the premises. In this way, he would benefit directly from any increased business that was created by the new office.

Because he is able to offer more time, better advice, and general sales help, Young has been able to gain slightly more control over the behaviour of many of the agents than could Don Lane. This is illustrated in the following comment concerning daily reports for the manager:

Joan Reid. I never used to do that before. Don was after me to do it, but I said: "Ah, Don, it takes up too much time." He said: "Oh, all right." When Jim took over he explained that he needed these reports so he'd know what we were doing. He kind of made me understand what they were for, so now I do them.

In terms of a dynamic model of organization roles, Young can usefully be distinguished as an expansive role player compared to Lane who was relatively passive. Expansive role players actively attempt to increase the scope of their roles,

both by more aggressively fulfilling the activities already pertaining to the role, and by appropriating new areas of influence.

But every social role also has structurally imposed limits upon its expansion. We have already seen that one of the company's reasons for offering Young his new position, and one of his reasons for accepting, was that he had reached the limits of what he could achieve as an agent in terms of income, and prestige and power within the company.¹⁷⁹ In his new position, Young is also limited in what he can achieve. From below, his control over agents is limited because he does not allocate their income. From above, he is limited by not being allowed to work "on the road" himself, and any suggestions that he makes for company expansion can be rejected by higher management and the board of directors. At this point in his new career, Young has a long way to go before his limit is reached, particularly if the company proceeds with his plan of setting up a satellite office. Later, he may find new directions for expansion in his present role, but it is more likely that he will think in terms of a new challenging position. If such a new position is not available to him, he will have to choose between a more passive strategy toward his present position, or a move outside the company.

These speculations raise the issue of what factors

¹⁷⁹Green has reached a similar limit as an agent but is unlikely to move on into a new position at this late stage in his career.

underly role strategies. What determines whether a person takes an expansionist or passive strategy towards his role? This question has important implications for the progress and growth of an organization as a whole. Comparing Young to Don Lane at least three factors seem to be important as a tentative proposal. The first of these is contingent organizational pressures. In addition to being Sales Manager of Head Office, Lane was also General Manager of Residential Sales, a vice-president of the company, and an equity owner. Young, on the other hand, was free from other considerations, and could devote more time to expanding his one role. The second factor is career phase. Early in an individual's career, he is more likely to adopt an expansionist policy than he is later in his career. Finally, as is illustrated in the case of Young, early successful attempts at expansion are likely to be followed by further attempts. A person who succeeds once feels more confident about suggesting new expansionist policies, and is more likely to have his suggestion accepted by higher management.

Turning to other leaders in the department, Green is the agent with most influence, but a couple of other top agents have some as well. Joan Reid's ideas are given close consideration by management. She is less innovative than Green, but where she supports his ideas, as in the change in the commission schedule and the introduction of the code for vendors' reasons for selling, management are more likely to implement the change. Reid is also a kind of ethical leader, who regularly gives her opinion about whether or not a certain course of action is right or wrong. Her strong objection to the rumoured change in the

Montreal Real Estate Board's policy about the first agent to show a house receiving the commission, prompted the company to object to the Board.¹⁸⁰ But in many cases Reid's moral pleas are ignored by most of the agents, and some of them feel that she is really no different from anybody else in her activities.

Fred Townsend is an up and coming agent who moved from seventh to third in the performance standings within a year. His office is on the basement floor, and he is an informal opinion leader of many of the newer and less successful agents down there. He helps some of them, particularly females, with advice, and is admired for his sense of humour. His is the clearest case of an exchange of advice for deference. The following comments capture the attitude of some of the others toward him:

Teresa Verge. Fred said the other day that I'm going to get married in April, 1970!

Rosemary Crawford. Speaking of Fred, he's doing some business these days. You know, he's moved into Jack Fraser's office (while the latter was on holiday; his office is on the main floor). He was saying the other day that he had enough brains to get something going. So I guess he's doing it moving into Jack Fraser's office like that!

Verge. He does have a nerve in his own quiet way.

One of the reasons for John Mason's failure was that Townsend, who felt that Mason was being favoured by management, took a dislike to him, joked about him to others, and made him into a kind of social isolate on the ground-floor. Townsend does not yet have

¹⁸⁰This was discussed in Chapter 8, p. 218.

much power, but he has shown incipient leadership qualities, and Young feels he has managerial potential in the business.

Another agent, John Neal, is a special case because, through family connections, he is also a director of the company. Although he is not one of the most successful agents, he is respected for his formal position and for his humorous stories and wide knowledge of the real estate business. He is accorded certain privileges, such as freedom to interrupt at any time during a meeting, and to add a house to be seen during a caravan after the allotted number had already been booked. Neal's special status is shown in the following case:

Case 10b. Special Status of John Neal. Before a sales meeting opens, the full complement of six houses to be seen has been booked. Len Brooks has arranged another one, but Young tells him that they do not have time, and Brooks agrees to cancel it. Neal arrives late and announces: "I'll be at 78 Maple from 10:30 to 11:30 this morning if anybody wants to see it." Young says nothing, but writes it on the black-board. Neal leaves before the meeting ends, and, when Young is deciding the order in which they are to see the houses, he at first forgets about Neal's house. As the agents are leaving, he suddenly remembers it, stops them, and warns: "Some of us had better go and see this house, or else John won't come to any more meetings!"

Young and the agents are unclear about Neal's actual power, and are careful to remain in his good graces.

Although they can hardly be called organizational leaders, the three experienced secretaries and the switch-board

operators have more influence than their formal position would indicate. The secretaries favour some agents more than others, and sometimes work harder to complete letters and forms for them. They also use their experience as a basis for advising managers, particularly Young who is inexperienced. Miss Sumner's influence is shown in the following discussion between herself and Young, who calls her in to "take a couple of letters".

Young. The first letter is to Eve Barnes at Blueridge Realities: "Please find renewed joint-Exclusive enclosed. The commission will be split 90 per cent to the selling and 10 per cent to the non-selling agency if either of our companies sells it. If an outside agency sells it the outside broker will get 50 per cent and we will split the rest 50/50."

Miss Sumner. How come that wasn't decided on before?

Young. Well, it was, but we thought we'd include it in writing now that it's being renewed.

Miss Sumner. I asked you about that before; I thought we should have it in writing.

Young. The next letter is to F. Chapman Ltd.: "Dear Sir: Further to our telephone conversation, I'm writing concerning the property at 6612 Jacobs for Mr. H. Noel. As you know, there's a water leakage which is causing damage to the ceilings. This has been checked by our plumbers in the past, and they say it is due to faulty tiling..."

Miss Sumner. But we've already told him that.

Young. Yes, but we want to have it sent officially. You know, the man next door has had the same trouble, and has taken it to a lawyer.

Miss Sumner. Isn't this all Noel's responsibility, not yours?

Young. Well, he's going to be buying a \$100,000 house in the near future, so we want to do any little thing we can.

Miss Sumner. He'll only ignore it, unless we have in something about a lawyer.

Young. You are right, let's include something like that.

Miss Sumner. But can we do that without Noel's permission?

Young. Let's leave the letter until tomorrow and I'll go out and see about the place later this evening.

The experienced secretary does not simply passively record her boss's words, but together they work out what should be done about certain problems.

The switchboard operator's power comes from her being the one who has first contact with potential clients and vendors who phone the company. When a call is about a sign, it is supposed to go to the agent whose name is on the sign. But sometimes the agent cannot be reached, and the operator can connect the client to another agent. The majority of agents object to this practice; they feel that a message should be taken, and the listing agent could then call the client later. Young supports the agents in this, but Don Lane, John Neal, and Peter Green feel that the call should be given to another agent at once rather than risk the chance of losing the client altogether.

The switch-board operator can also distribute leads that come into the company of a non-specific nature, such as a vendor who is simply looking for an agent to handle his listing. Usually, these calls go to Young, who then decides upon an agent but, if he is out of the building, the operator herself decides. Ground-floor agents can be called directly, but in the basement floor there is an intercom system through which the operator asks for an agent. In theory, the first agent who answers is given the lead, but in practice, the operator can exercise discrimination in allocating leads. The problem was raised many times by the agents during sales meetings.

Joan Reid. I don't know, but I think something should be done about the switch-board operator. She keeps giving your calls to someone else, if you happen not to be in your office. I don't think that's right.

Fred Townsend. I agree. The agent who has the listing has done all the work and knows about the property. There's no reason why the switch-board operator can't tell the client that the listing agent will call back in half an hour or so.

Jim Young. Yes, well it's important that we make sure as far as possible that the listing agent get the calls. I

have spoken to Maureen (an operator) a few times. She says: "Yes, yes, yes", but then...!
Reid. Well, don't just blame the switch-board operator, Jim. I had a talk about this with Don Lane a long time ago. It was his policy that the calls should go to some other agent if the agent for whom they were intended was not available right away.

Young. I'll talk to her about it anyhow.
 (Townsend is called away to meet a client.)

Pauline Winter. Well, now that Fred's gone we can talk about him! Seriously, though, I'd like to make a complaint about the lower region. Sometimes a lead comes in upstairs and the switch-board operator asks for an agent over the intercom. This usually means that whoever shouts out the loudest gets the lead. Now, I only have a little tiny voice, but Fred's got a big loud voice. So he usually gets those leads. And John, you have an advantage with that speaker over by your office.

John Mason. I don't know if that's working, actually, because the other day they asked for an agent and I said: "Mason! Mason! Mason!" The third time Doug Jenkins said: "Jenkins!", and he got the lead.

Winter. It's ridiculous, all of us down here, shouting our heads off like hyenas!

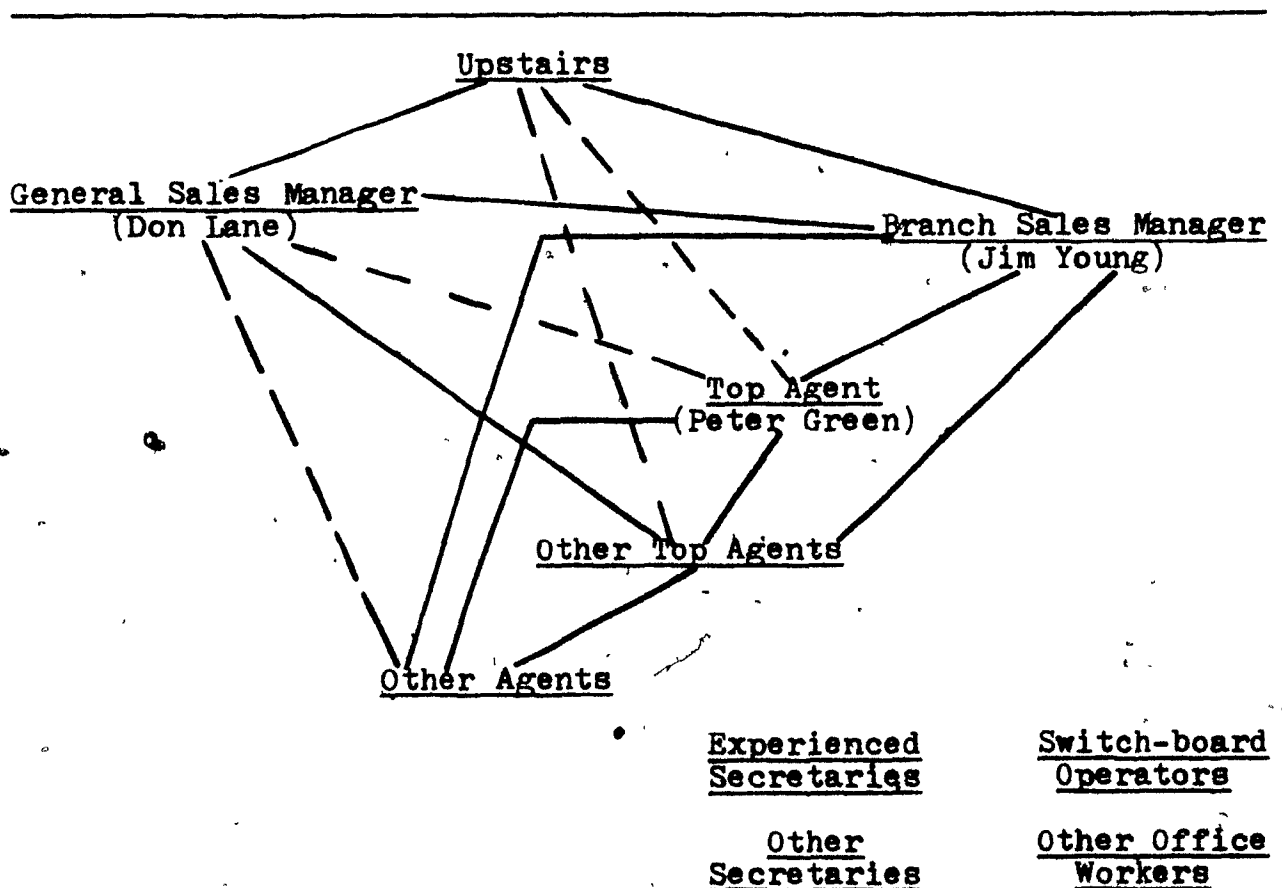
(In fact, Mason's speaker was working, but the operator chose to ignore his cries and gave the lead to Jenkins.)

The actual decision-making process, then, does not follow the pattern of the formal authority structure of the department, which reflects self-definition of owners and managers. Through the other principles of reciprocity and collectivity, some members have more power and influence than their formal position indicates. This is depicted in Figure 10b, which should be compared to Figure 10a (page 275). In this diagram, the complete lines represent the main channels of influence and communication, while the dotted lines represent secondary channels. To avoid complicating the figure too much, the connections of the secretaries, switch-board operators, and office workers to the others have been left out, and "other

departments" have been omitted entirely.

Figure 10b.

Power and Influence
In The Residential Department



The Sales Meeting: An Organizational Focal Point

Real estate agents are very independent in their work, relations among them are often conflictual and ambivalent, and agent-company relationships are tenuous. There is, then, little sense of group cohesion within the residential sales department of Highgate Realities. The collectivity aspect of the organization is weak. The weekly sales meeting is an exception to this: it is

the only time when all the agents come together, the atmosphere is usually friendly and relaxed, and a feeling of good fellowship temporarily replaces the tension of competition. The meeting generates a little solidarity within the group; in this sense, it is an organizational focal point.

Let us begin by considering the ostensible purposes for which meetings are held. They are, firstly, a communication channel, the main means by which departmental decisions are passed on to the agents. New company policies, plans, and changes in procedures are introduced to the agents at this time. For example, Don Lane introduced the company's new guaranteed purchase plan during a meeting.¹⁸¹

Lane. Today, I want to tell you about our new guaranteed purchase plan. This is a plan whereby Highgate Realities guarantees a prospective seller that, should his house not be sold within ninety days, the company will buy it for 5 per cent less than its estimated market value. The implementation of this plan involves a careful appraisal of each house which is to be sold according to the plan. For this purpose, we have drawn up this sheet here for making detailed appraisals. These appraisals are made by comparing the house to be sold to three other houses which are currently for sale on the market. The plan requires three independent appraisals by three agents. The market price is then taken as the average of these three appraisals. Now, this plan will require a certain amount of time from each agent. However, this time will be well spent because the plan should bring more business to the company.

Meetings also allow communications in the opposite direction. The agents can ask questions and make criticisms of company policy. At one meeting, for example, George Lidstone questioned the company's advertising policy:

¹⁸¹Lane attends meetings occasionally, and fills in for Young to chair them in his absence. In this case, Young was away at an international real estate conference in Europe.

Lidstone. Before we go Jim, there's one thing I'd like to mention. It's about advertising. I've noticed in the paper for the last three weeks that I haven't had any ads in at all. And sometimes when I do have them in they're out of date -- the house has been sold or something.

Joan Reid. George, I don't see how that's a problem, if you arrange your own ads and bring them to Lois (the secretary responsible). You can't expect the secretaries to go chasing after you.

Lidstone. Maybe you're not having any trouble with advertising, but I am. Perhaps the firm should hire a real advertising expert.

Jim Young. Maybe we can talk about it next week.

At the following meeting, the secretary responsible for advertising came and explained that she runs an advertisement every eleven days except for those agents who specifically ask for one every week, and that she needs to know on Wednesday about the advertisements for the following week.

The second reason for holding meetings is educational, particularly for the newer agents. Young generally introduces a special topic every week, such as "Methods of Acquiring Listings". The sales for the week are also discussed, with special emphasis upon "anything special" that might be of interest to the other agents. The newer agents, such as Frank Martin, find the meetings useful in this way:

Martin. They're very interesting, very interesting. I find it's useful to go over all the new listings. Yes, I learn something every minute I'm there. Take the last meeting, we had that notary, Mr. Davis there. Well, he explained to us about tenants and occupancy, you know, that you can get the tenant out by the end of the year. I had a case yesterday where that problem came up. I was talking to a vendor with the listing agent. It came up about the occupancy, the other agent didn't know what the law was, but I did, I was sure about it because we had discussed it the day before. I could tell that the vendor was really impressed. Sure, the meetings are useful to me.

Many of the more experienced agents are less enthusiastic about the sales meeting:

Bill Wells. To tell you the truth, I don't think they're too profitable. We talk about listings, for instance, but we don't talk about the really important part enough, the reason for selling. I don't know, maybe some agents want to keep them secret.

The third purpose of the meetings is to discuss the company's listings. New listings which have been acquired by the agents during the preceding week are discussed at each meeting. This, plus their visits in the caravans, keeps the agents up-to-date on all the company's listings. Another class called MBS (must be sold) listings are discussed periodically. The purpose of this is to make each agent aware of those houses which the owners are very anxious to sell, which are likely to go for a bargain price, and are therefore likely to sell quickly. Many agents feel that the discussion of MBS's is the most constructive activity at meetings. Periodic reviews are also held of all the department's MLS and exclusive listings, usually on two successive weeks, with particular emphasis upon reminding agents about listings which are about to expire and need to be renewed.

The fourth purpose of the meeting is to discuss any problems that the agents may be having in their work, in the hope that they can receive help from Jim Young or another agent. These problems range from asking whether anybody knows a suitable house of a certain specified type for one's client, to problems encountered in trying to close a deal or present an offer, to questions about the legal implications of various actions. The following discussion is about a potential difficulty involved in holding open houses:

Danielle Tarcot. May I ask a question? I'm planning to have an open house on Sunday, but the people who own the house are going away for two weeks. I'm afraid about their silver and things.

Jean Reid and Marie Lacroix. Then I wouldn't show it.

Jim Young. It's a tricky question, Elliot French used to bring his wife to watch one floor while he watched another. We were once accused of stealing someone's cuff-links. The man phoned up in a great temper saying that his son's cuff-links had been stolen. The next day he found them, and he came around and apologized. But we nearly lost the listing.

Peter Green. We've been very lucky over the years. Once I had an open house and I actually noticed a shady-looking character there. When I was leaving I locked the doors, but after I went back and found that one of the doors had been fixed so that it wouldn't shut. He meant to come back and rob the place.

Young. We have to be careful about these open houses. Be sure and get the permission of the owner before you have any. I remember once on my own house, Len held an open house there over the week-end one time, and I didn't even know about it. Len just thought he didn't need to ask!

Clear-cut answers are rarely given in such discussions, but at least the agent learns how others have dealt with similar problems, and he can feel more assured about his decision.

In addition to their ostensible purposes, the sales meetings are largely ritualistic occasions which help reinforce group solidarity, or rather they provide most of the group feeling that does emerge in this highly individualistic occupation. The meetings are usually a time of relaxation and much joking among the agents, often at the expense of clients and competitors from other companies. The sales manager, and sometimes one of the agents, often eulogizes the company as the "best in Montreal", and emphasizes the "good team-work" that exists among the agents. Legendary figures from the company's past are praised, both as an example to the agents to motivate them to work harder, and as a reinforcement of the company's

tradition and good reputation of which the agents should be proud. Some elements of this ritualistic function are illustrated in the following managerial comments:

Jim Young. We had an agent who committed the cardinal sin over the week-end. He brought a client to see a house at 10:30 on Sunday without an appointment. The agent said that other companies do it. Well, we're not other companies! We try to be professional in our behaviour.

Don Lane. We have had some great salesmen in this company. Old Joe Finstock was the best salesman we ever had. He sold anywhere from forty to fifty houses per year. He was proud of the fact that he had the most sales and also that he always had the most showings. The two go together. Joe used to work at least six days a week and sometimes seven. He was really dedicated to his work. Now this illustration just shows what a person can do in this business if he really applies himself.

President of Highgate Realities. (A special guest at a meeting) There are a lot of joys to working in this company, including the joys of having women working here now. Marie Lacroix is a real little dynamo who shows houses like nobody else. We have really top agents here. Where could you find a company with better representatives?

For the individual agent, the meetings are a relief from the tensions that most of his work entails, including the tensions in his work relations with his fellows. In the usually light social atmosphere of the meetings, he is reminded that his colleagues are people like himself with similar problems, disappointments, and enjoyments. When he is down because of a slump, he is encouraged by hearing about others who have been in slumps but have come out of them successfully.

Fred Townsend. Jim is enthusiastic and that's infectious. We talk about sales, and that's good, it peps up the agents. Everyone likes a pat on the back, and it also stimulates the others.

Bill Wells. Of course, the meetings are a good get together. You can have a laugh there.

Dan Nester. The meetings are a good refresher, they're as good as a cup of coffee!

Teresa Verge. I find that the meetings are good for getting stimulation if you're lagging. They're a weekly stimulant.

The meetings also serve as an outlet for agents' complaints and criticisms of the company. Especially since Young has become sales manager, they are encouraged to state their views about company policies and to suggest changes. More often than not, the agents' suggestions are ignored in practice, but he at least has a chance to state his criticisms and to "get them off his chest". No written record is kept of the proceedings, the managers being free to ignore or follow up suggestions as they see fit. Pauline Winter's complaint about the intercom system (page 296), and George Lidstone's about advertising (page 299) are cases in point. In neither instance was the system changed. In other cases, agents make a complaint about a procedure or a policy change, and are simply given the company's reasons without any indication that their demands will be met. When the commission schedule was changed, the owner-managers took advantage of the major change to introduce a minor alteration in their favour: they increased their share of the commission for an Exclusive sold by an outside agent from 25 per cent to 27.5 per cent. The agents complained and an explanation was given:

Marie Lacroix. I don't understand why the company is now going to get a greater share of an exclusive listing sold by an outside agent.

Dan Nester. Yes, the problem is that I use up more of my time with an outside broker when he sells one of my listings than I do when one of our agents sells it.

Jim Young. The trouble is that the company is losing money on these split listings with outside agencies.

The company pays for the advertising but often an outside agency makes most of the commission.

Meetings are also times when conflicts between agents can be brought out into the open under control by the group, as in Case 10c.

Case 10c. Agent-Agent Conflict Controlled in a Sales Meeting.

The conflict in this case is between John Mason and Fred Townsend. Townsend had taken a disliking to Mason because he thought he was being favoured by Young, and had drawn others in to support his resentment. The following conversation between Townsend and Bill Wells occurred during a caravan:

Townsend. You've got to come and see my new listing. The Youngs and Masons might even like it! (We look at the house, and as we are leaving, Young and Mason drive up together.)

Wells. Ah, there goes the top brass!

Mason was aware that Townsend did not like him, and suspected the reason:

Mason. I was going to go out to lunch with Len Brooks the other day, but he went out with Fred Townsend instead. He's a peculiar person. Len told me after that Fred didn't want to go to lunch with me. He said there was a personality clash. I'd noticed a few things before too. When we all go out to look at a house, and he sees that I'm about to get in a car, he goes away and gets in another car. And the other day I had a client on the phone. I wanted to find out about one of Fred's listings, but he refused to let me know the number, or anything about it. I can't understand anybody like that. I sometimes don't like somebody too much, but I know he always has his good side. I think maybe he feels that Mr. Young is spending too much time with me.

The incident about the listing for which Townsend purportedly refused to give him information is brought up by Mason during a sales meeting. Mason responds to a general comment by Peter Green about the listing agent giving information.

Peter Green. Co-operation depends partly on the market background. Before, when we had many buyers, the listing agent would often keep quiet, but now he's only too glad to give other agents information about his listing.

John Mason. I don't know about that. We might as well bring it out into the open, eh, Fred? The other day I had a client on the phone and I wanted to get some information about Fred's listing, but he wouldn't even tell me the address.

Fred Townsend. No, John, it wasn't like that. I had no idea you had a client on the phone.

Mason. Of course you knew. Miss Summer was there.

Townsend. No, no, I didn't realise there was anyone on the phone. Of course I'd want to give you information about it because I'd like to see the place sold.

Green. Anyone's only too glad to give information these days.

Mason. That's what I thought before.

Jim Young. If there are conflicts like this you should both come and see me. That's what I'm here for.

The main outcome of this incident, whatever the facts may have been, was that Townsend changed in his attitude toward Mason afterwards. He never became friends with him, but he did stop his campaign against him, and did not refuse co-operation in their work. It was as though, in order to vindicate his denial to the other agents about his behaviour in the past, he had to change his behaviour toward Mason in the future.

As Young's comment in the above case illustrates, the managers do not perceive the sales meeting as an appropriate occasion for group control over conflict. The managers are always worried about such conflicts, because they fear a basic split involving all the agents. Conflicts, they feel, should be settled behind closed doors with themselves as mediators. Don Lane once prevented a conflict from coming into the open when it was brought up by Marie Lacroix.

Case 10d. Manager Preventing Conflict From Erupting. After Young has made a comment about the company not liking splits,

Lacroix brings up a case of a dispute between herself and Joan Reid.¹⁸² Don Lane, who happens to be present, whispers something to Geoff Foster, and the latter interrupts the argument before it develops very far.

Marie Lacroix. I get the impression that the company encourages splits. I just lost \$1,100 where the company worked with another outside agent and Joan Reid made all the commission.

Joan Reid. Tch!

Jim Young. Let me straighten this out in the open here and now since you've brought it up Marie. It had to do with 39 Downton, and there's no need to sweep it under the carpet...

(At this point, Lacroix and Reid were both becoming angry; Lane whispered something to Foster and the latter intervened to change the subject.)

Geoff Foster. I'd like to ask a question here. Why are our splits on a 50/50 basis all the time? Why not 45/55?

After this interruption, the conflict was not brought up again.

In the heat of the moment, Young was willing to bring the case "out in the open", but the more experienced Lane intervened. Young later told me that he was glad that the affair had not blown up during the meeting.

Finally, sales meetings reveal the prestige hierarchy, and an agent's changed position if he is moving up (or down) in status. Most obviously, this is done by discussing sales performances, but it takes other more subtle forms as well. The manager recognizes the top agents more readily when they want to speak, and asks for their opinion on any number of issues. The privileged position is implicitly acknowledged by the other agents as well. One such privilege is that the top agents can include extra houses to be seen on the caravan, but

¹⁸²This case was discussed in more detail in the last Chapter, pages 252 - 253.

the others cannot. Sometimes a weaker agent will give way so that a stronger can have his listing included, as in the following discussion.

Jim Young. Joan isn't here to discuss 907 Thorburn.
Marie Lacroix. (Strong agent.) Oh, I'd like to see that one.

Young. Well, we have a key, so I suppose we could include it.

Lacroix. Yes, let's include it. (They do)

Doug Jenkins. (Weak agent) That one that I have on 3548 Butler is vacant.

Young. You know, we really should see that one.

(At this point, the strong agent Peter Green interrupts, says, "Excuse me!" to Young, and writes another listing for the caravan on the board, explaining that he has made arrangements for them to see it.)

Young. We'll put Butler on as well.

Lacroix. Let's line them up.

(They proceed to decide which houses will be seen in which order. Before they finish, Joan Reid, another strong agent, comes in late and exclaims:)

Reid. Oh! There are a lot of listings to see already, I have one arranged on King Francis that no-one knows about.

Bob Coles. (Weak agent) Why not put that one on and take Butler off?

(Reid writes up her listing.)

In this case, the weaker agent (Doug Jenkins) has his listing removed at the suggestion of another weak agent (Bob Coles) in deference to the stronger agent, Joan Reid. Note also that the weak agent, Jenkins, simply suggests that his listing be included while the strong agents, Green and Reid, are more forceful and may even go to the board and write up the listing themselves.

The sales meeting, then, is a focal point for the department. The members re-affirm their identity as agents of Highgate Realities; agents who are feeling down are given a psychological boost, while those with recent successes are praised; and the standing of each member of the group is recognized and reinforced.

Conclusion

Highgate Realities is a privately owned corporation, and its owner-managers are its most powerful members through their legal rights of ownership. But this power is only effectual in so far as the company (owner-managers) is able to attract salesmen to work for it. The mutual advantages to agents (services) and owner-managers (commission) are the raison d'etre for the growth of Highgate Realities, and shape its internal organization. This reciprocal relationship is in turn influenced by the wider network of relationships involving purchasers, vendors, agents, brokers, and boards which comprise the social organization of residential real estate. Successful agents achieve a considerable degree of counter-power over the company through the dependency of the latter upon them for its income. This is reflected in the relative lack of formal rules governing agents' behaviour.

The members of the residential sales department do not interact solely through a set of dyadic relationships. They form a social group, admittedly a group with a low degree of solidarity and cohesion. Group characteristics introduce a third principle for understanding organizational behaviour in the department: the principle of collectivity. Elementary forms of social control are exerted through collective norms and procedures, and through third party mediation to settle disputes and to "cool out" the losing (weaker) party.

Power and influence within the organization are derived from the three organisational principles: legal rights from

ownership, bargaining power from reciprocity, and informal leadership from collectivity. Organizational charts are misleading because they represent only the first of these. In some cases (Jim Young), individuals can convert bargaining power and informal leadership into formal authority by being promoted into the owner-management group. An individual's power and influence depend upon all three principles. Jim Young was able to gain more influence over the agents than his predecessor, Don Lane, because of his greater contribution to the collective output of the department.

Leadership and influence are not simple individual qualities, but rely upon particular structural arrangements. A member's influence can change, while his formal position remains the same, through a change at a different organization level. When Young became sales manager, Peter Green came to exert more influence upon the department. Young began to mediate to make Green's ideas acceptable to Don Lane and top management, who alone had the authority to implement the changes.

Collectivities also typically exhibit some form of ritual and ceremony. Sales meetings are important at Highgate for communicating managerial decisions to agents, and for discussing problems and listings. But they are also important as ritualistic occasions which give a measure of group solidarity, re-affirm members' positions in the group, and give psychological support and re-vitalization for the members in their work.

Chapter 11

CONCLUSIONS AND IMPLICATIONS

In this study, residential real estate has been conceived of as a socio-economic system. This conception has determined the the presentation of data in two ways:

(1) as a set of parameters which condition agents' behaviour at the micro-level; and

(2) in terms of the logic of the presentation: from the sale as the main determining transaction, through the agent as a middleman between buyer and seller, to the company as a provider of services for agents.

But the macro-level system is also a product of numerous social transactions at the micro-level. Detailed analyses of its units can further our understanding of the larger system. We have focused primarily upon one unit, the agent, and secondarily upon the sale and the company. But the local real estate board has been mentioned from time to time, and these observations related to two other sociological studies.¹⁸³ Based upon these findings, I will attempt here to formulate more specifically a tentative model of residential real estate as a socio-economic

¹⁸³Hughes, "The Growth of an Institution"; and Bouma, "Analysis of the Social Power Position of a Real Estate Board".

system, make some conclusions about the occupation and business of real estate brokerage, and point to some wider implications and questions raised by the study.

Residential Real Estate as a Socio-Economic System:
A Tentative Model

For present purposes, a social system comprises: (a) a number of inter-related units, (b) a certain unit or (units) which is the basic determinant in the system, and (c) feed-back effects of the other units upon the basic unit, and upon each other. I shall assume that, unlike mechanical systems, the units of social systems are themselves changed by social interaction among their members. Social systems are dynamic, with change being induced both from outside and from the emergent units within.¹⁸⁴ By "socio-economic system" I mean a social system oriented toward the production or distribution of material goods, and services which are performed as part of money contracts.

The units of residential real estate as a system are: the sale as a contractual exchange, the real estate agent as middleman, the brokerage firm as a provider of services for agents, the real estate board as a protective institution at the local level, the provincial association as an extension of this at the provincial level, and the national association as an

¹⁸⁴See Walter Buckley, Sociology and Modern Systems Theory (Englewood Cliffs, New Jersey: Prentice Hall, 1967). This book is particularly important for showing how the concept "system" can be useful for sociology without implying misleading mechanistic or organismic assumptions. But Buckley continues to assume that the system itself behaves, something I am attempting to avoid.

extension at the national level. This more formal model will exclude relationships within a unit (e.g. a firm) or between similar units (e.g. different agents). Much of this study has, of course, dealt with such relationships, and a major contention has been that they are best understood within the context of the wider system.

The sale is the fundamental determining unit. Sales transactions, in a highly mobile society, give rise to a need for services to vendors, services to potential purchasers, and for skilled negotiation between buyers and sellers. A socio-economic niche is created which is exploited by real estate agents. The agents, in turn, need a base of operations, a means of learning the skills of the business, and a source of information and communications with other agents. These services are provided by real estate brokerage firms. To succeed, these firms must adapt to changing patterns of buying and selling in their area, which they generally refer to as trends in the real estate market.

Real estate companies are mostly small-scale, local organizations, each of which has little power within the wider community. To protect their interests, both from disruptive competition among themselves, and from infringements upon the private property system upon which they depend, brokers combine to form real estate boards.¹⁸⁵ Through the local board, which represents their collective interests, real estate brokers become

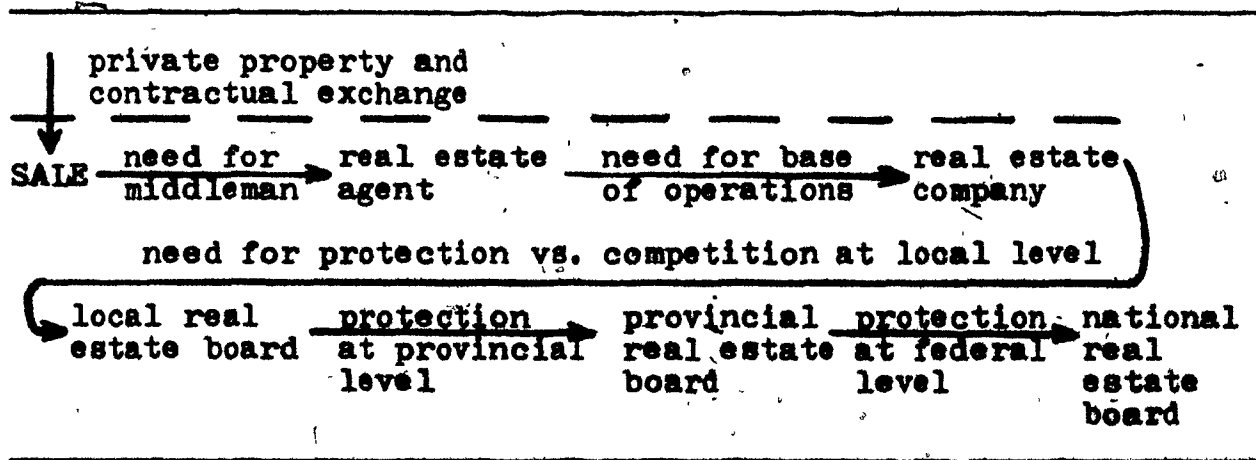
¹⁸⁵Hughes, "The Growth of an Institution".

important power blocks within the local community.¹⁸⁶ They lobby against property tax increases, public involvement in housing, and restrictive property laws.

Real estate interests are also affected by pressure groups and governments which transcend local communities. Higher level alliances are forged to perform the protective function at these levels. These are the various provincial associations and the Canadian Real Estate Association, which are federations of local boards. They serve the interests of the system at the macro-level. The dynamics of residential real estate as a socio-economic system are illustrated in Diagram 11a. The arrows represent the main direction of determinism within the system, while the dotted line is the conceptual boundary for analysis.

Diagram 11a.

The Main Dynamics of Residential Real Estate
as a Socio-Economic System



¹⁸⁶Bouma, "Analysis of the Social Power Position of a Real Estate Board".

Once constituted, the other units of the system come to have determining influences of their own, as their members attempt to further the position of the unit in the overall system, and as external circumstances change (e.g. political pressures upon sales). These feed-back effects can be seen at each level, and in some cases go beyond the system itself to affect the wider community.

The first feed-back effect is that the real estate agent is not simply a passive responder to the need for his services. Rather, he reinforces this need, and in many cases creates it by influencing people into buying and selling houses when they would not otherwise do so. Through information management and other sales techniques, agents affect prices and terms of sales, and decisions of buyers and sellers to move into or out of particular neighbourhoods. The agent's income depends upon negotiating agreements between buyers and sellers. He attempts to find a house that his potential purchaser will like as quickly as possible. This usually means showing him houses in areas where people are similar to himself, and in this way the agent acts as a reinforcer of neighbourhood composition. He becomes a catalyst in housing sales, and a conservative influence upon local area formation.

In small two or three man brokerage firms, there is no clear-cut distinction between broker and salesman. The licensed brokers themselves take part in buying and selling houses. As firms become successful, establish reputations, and grow in size, the two roles separate. Brokers become full-time administrators who contract others to do their selling. New agents

then depend upon attaching themselves to an established company. In Montreal, this dependency has recently been institutionalized in the real estate brokerage act which requires that an individual have two years experience as a salesman before he can become a broker. The act was sponsored by the Montreal Real Estate Board in the interests of its member brokers.

The emergence of larger real estate companies is beginning to change the system. The vendor's listing contract is legally with the broker rather than the agent, who is in some ways seen as the representative of the company. The changing pattern is illustrated in Diagram 11b.

Diagram 11b

An Incipient Change in Residential
Real Estate as a System

11b1. The Traditional Pattern

SALE → real estate agent → real estate company

11b2. The Emerging Pattern

SALE → real estate company

↓
company salesmen

This pattern is at most incipient. Even at a large company like Highgate Realities, agents are very independent, and in practice vendors' and purchasers' relationships are more with the agents than the company. The commission system which makes the company dependent upon its top agents, and the ease of

inter-company mobility,¹⁸⁷ prevent this pattern from becoming dominant. From such incipient social trends, we cannot extrapolate to some "inevitable" future state of organization.

Real estate companies also have feed-back effects upon sales. They provide information about other sales and listings in an area for potential purchasers and vendors, who take this information into account in setting their buying or selling prices. In this way, market comparisons come to affect prices. In a sense, real estate brokers and agents create a quasi-market for residential housing. Without them, it would be an underdeveloped market conducted by amateurs.¹⁸⁸

Real estate boards are occupational organizations representing brokers' interests, and they have important feed-back effects upon the lower units of the system. The Montreal Board has succeeded in regulating competition among its member firms: it sets minimum commission charges which are accepted as the normal charges in practice, and it has become the recognized arbitrator in disputes among members. The main basis of the Board's power is the Multiple Listing Service, which has feed-back effects of its own. It widens the scope of

¹⁸⁷I am not suggesting that it would necessarily be to companies' advantage to have greater control over their agents. If it were at the expense of income, they would probably prefer not to.

¹⁸⁸These terms "quasi-" and "underdeveloped" markets are reminders that the criteria for a full-fledged market with prices determined solely by comparisons, are not met for most real estate transactions. Without agents the market would be even less developed, since the information upon which comparisons depend would be less.

comparison in setting prices, and puts more vendors and potential purchasers into contact with one another. It also bolsters the competitive opportunities of small brokerage firms by making available many listings of the larger companies.

The protective function of the board includes not only material but also status interests. It has emerged as the local representative of the occupation in striving towards professionalism and an improved public image for the real estate business. It exerts control over its own members through enforcing its regulations and code of ethics; and, through successfully lobbying to have the provincial real estate act passed, it indirectly influences the occupation throughout the province. The real estate act makes it more difficult for individuals to become salesmen and brokers, and prohibits part-time operators from the field. A greater proportion of real estate men and women develop long-term commitments to their careers; in most cases this implies concern for their reputations with clients and vendors, better service, and an improved public image.

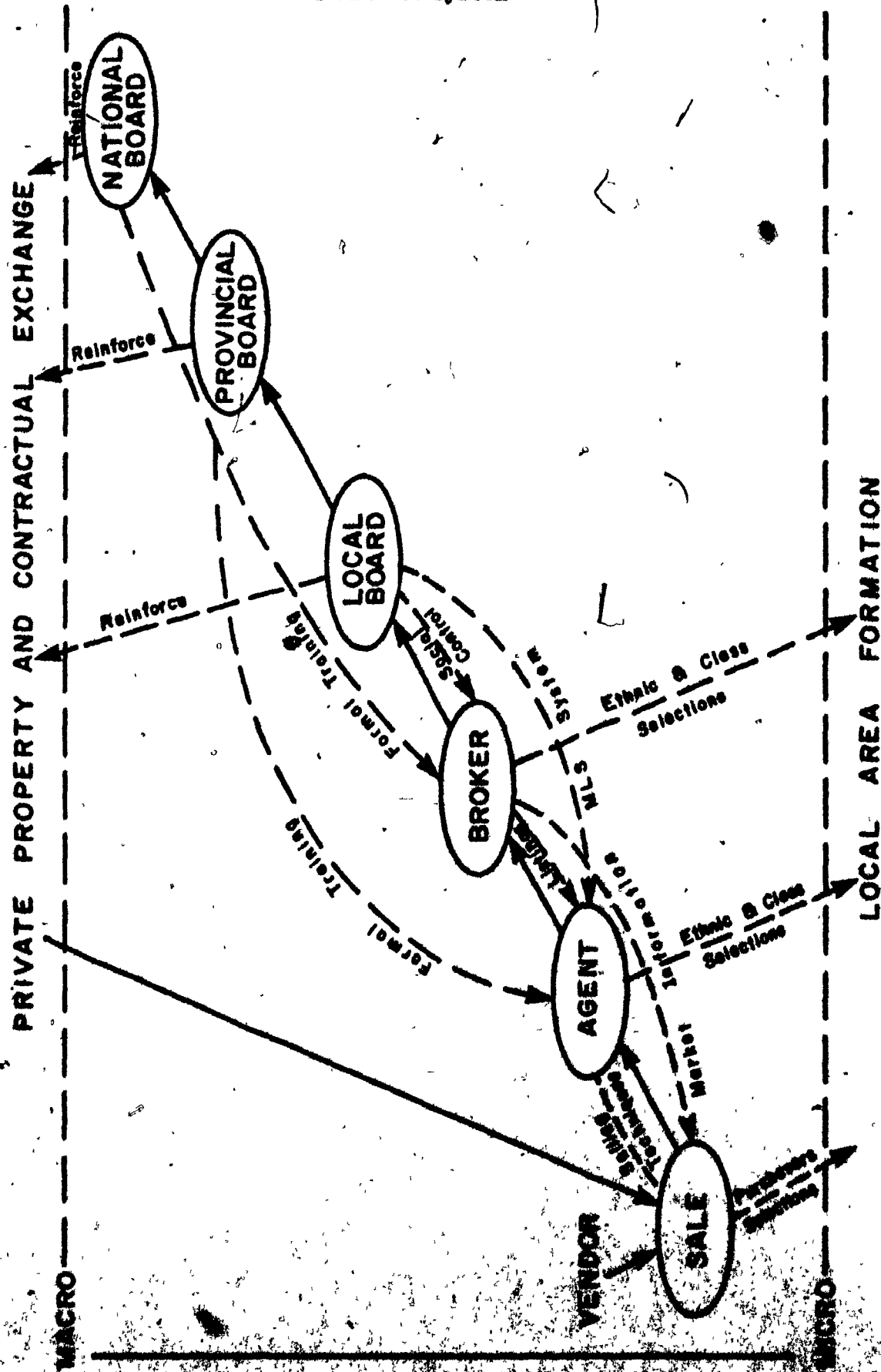
Provincial and national associations are federations of local boards which represent real estate interests at these levels. They have taken over most of the formal educational programs for real estate people. As formal requirements become more important for careers in real estate, realtors must take them into account in planning their career strategies. Other than this, provincial and national bodies have little direct influence upon daily transactions in the real estate business; they have no effective means of control over the lower units of

the system.¹⁸⁹

The main feed-back effects of the units of residential real estate as a system are illustrated in Diagram 11c (see page 319). The dotted arrows represent directions of feed-back. Some of the more important influences of the system upon the wider community are also shown. The macro-level institutions of private property and contractual exchange give rise to sales between individuals as micro-level transactions. These sales are the basis of the dynamics of residential real estate which we have traced here. Local, provincial, and national associations represent the interests of the system in the wider society, and reinforce the macro-level institutions of private property and contractual exchange. The real estate business is both a product and a defender of the institution of private ownership in land and buildings, a major determining influence upon life in Western societies.

¹⁸⁹Some realtors in Montreal have suggested that there is an ethnic split between the Montreal Real Estate Board and the Corporation of Real Estate Brokers of the Province of Quebec, English-Canadians holding the controlling positions in the former and French-Canadians in the latter. They feel that, with the support of the provincial government, the provincial association is expanding its power at the expense of the local board. The corporation, for example, recently took over the sponsorship of real estate training courses. Whether or not this trend is significant, it is likely that the M.R.E.B. will continue to exert more influence on the day-to-day activities of the business through its MLS system.

The Dynamics of Residential Real Estate Showing Feedback Effects
Within the System



Residential Real Estate Selling as an Occupation

Within this socio-economic system, residential real estate selling has emerged as an occupation. I have presented descriptive models to help understand this occupation in terms of career patterns, and work relations with clients, colleagues and managers. The main features of these models have been explained through grounded theories (explanations based more on the data themselves than upon ~~a priori~~ general theories) presented in a discussional rather than formal way.

Residential agents perform services for vendors and purchasers, and as middlemen negotiators between them in housing sales. For these services, they are paid a commission. The more listings they acquire, and the more sales they negotiate, the more money they make and the more successful are their careers.

The initial career phase is very difficult, and requires much time and effort as agents attempt to establish themselves with little help from their company or colleagues. Those who fail in this initial "breaking-in" period (often due to concentrating too much upon quick sales rather than building custom through listings) either drop out of the occupation (Abortives), or else continue at a low standard of living and prestige (Marginals).

Those who break-in successfully are faced with a choice. Regulars rely on their good reputation (secondary resources of a bank of social contacts) for much of their business through referrals, and opt for increased leisure. Upward Mobils and

Perennial High Producers continue to work hard to increase their incomes to a maximum. The Mobiles are then able to convert their success into a "higher level" career in real estate: as managers or as investment, industrial, or commercial agents. Perennial High Producers are blocked from upward mobility, but convert their success into high prestige and privileges from their company.

In their work agents deal with three main sets of significant others: clients, colleagues and managers. Relations with vendors are businesslike: a contract is signed, the vendor pays for the agents' services, there is only periodic contact, and disagreements are common as agents try for quick sales and vendors for high prices. By contrast, no contract is signed with buyers, and no payment made. Agents and potential purchasers spend much time together, and develop informal friendly ties and obligations beyond an impersonal business relationship.

Agents, then, depend upon their buyers' felt obligations for new listings and referrals in the short run. But for continual career success, an agent must build up a large number of long-term relationships with clients, who will come back to him for other transactions, and who refer other people to him. Since he is the more dependent party (imbalanced reciprocity), the agent tries to keep the client in his debt socially by providing extra services, compliments and gifts.

A sense of community does not develop among real estate agents, because of the prestige hierarchy and structural

ambivalence that typify their work relations. Differential sales and listings success mean large income discrepancies with wide social distance between successful and unsuccessful agents.

Structural ambivalence refers to the pressures for, upon the one hand, strong competition for scarce clients, listings and sales; and on the other, for mutual co-operation to negotiate sales, exchange information, and service clients for colleagues. Competition threatens to break out into open conflict, but this must be prevented to preserve enough cohesion for mutual co-operation. A number of "defense mechanisms" have emerged to deal with this structural ambivalence, including formal and informal restraints upon competition, co-operation on a situational rather than personal basis, and an avoidance of informal social contacts among colleagues during leisure time.

Relations between agents and company, as represented by its managers, differ from most employer-employee relationships in our society. In this reverse employment relationship, the company provides services for agents in return for a share of their commissions. This services-for-commission reciprocity entails strong bargaining power for star agents, who receive numerous privileges from their company. Since negotiations between agent and company are on a dyadic basis (due partly to lack of solidarity among agents), and since agents can easily move to another company, agent-company relationships are typically tenuous with little mutual commitment and loyalty.

Reverse employment, itself a function of the services

provided by agent and company within the wider system, gives rise to certain peculiarities of the company as an organization. Three organizational principles were distinguished to make sense of behaviour within the residential sales department of Highgate Realities: ownership, reciprocity, and collectivity. The services-for-commission reciprocity differentiates the real estate company from most work organizations. A minimal formalization of procedures develops, both because of the dispersed nature of the sales task, and because the strong bargaining position of the agents lets them resist managerial attempts at formal control. The relative lack of formal rules also permits increased flexibility in agent-company negotiations. Managers and top agents gain from this flexibility, while weak agents miss the protection of a set of formal rules.

Possible Changes in the Services-for-Commission System

On the whole, the services-for-commission system works to the mutual satisfaction of agents, company, and public. Successful agents enjoy the challenge, variety, independence, and financial opportunities of their work. The company benefits from an incentive system that induces agents to work hard to further their own interests and, coincidentally, those of the company.

The system does, however, have its costs for both parties. For the agents, the most difficult career stage is at the beginning, when they are trying to solve the "breaking-in" problem. They receive little help from the company, and are

disadvantaged in the competition with more experienced colleagues. The result is a high drop-out rate with much economic hardship and psychological upset for many individuals.

From the company's point of view, the breaking-in problem is one of the main causes for the high turnover rate among its members. At any one time, a large proportion of its agents -- as much as 25 per cent or more -- are very unproductive. This represents a great waste of man-power. Blaming the low-producing individuals themselves, company representatives attempt to deal with the problem by firing them and hiring new recruits.¹⁹⁰ But this policy is self-defeating, because these in turn are faced with the same breaking-in dilemma. It induces a self-generating process of high turnover with a large proportion of low producers.

This situation also has secondary social costs for both parties. The high turnover rate induced by the commission system reinforces individualism and self-interest at the expense of co-operation and group solidarity. Competition, ambivalence, and suspicion mean that real estate agents lack most of the enjoyments of sociability and camaraderie found in many occupations.¹⁹¹ The company suffers through its agents'

¹⁹⁰This in itself is another cost: managers must devote more time and effort to recruiting than they would if the turnover rate were lower.

¹⁹¹See, for example, Gouldner's discussion of "miners", and that by Lipset et. al. of typographers. Alvin Gouldner, Patterns of Industrial Bureaucracy (Glencoe, Illinois: The Free Press, 1954); Seymour Martin Lipset et. al., Union Democracy (New York: The Free Press, 1956).

failing to develop feelings of loyalty and commitment. In the short run, they often prefer to co-operate with outside agents in specific transactions, thus diminishing the company's share of the commission. In the long run, the lack of commitment reinforces the tenuousness of the agent-company relationship, the high turnover rate, and the constant fear of losing top agents.

These costs in the services-for-commission system could be reduced by dealing with the breaking-in problem directly. New agents need more instruction in actual selling techniques, and in strategies required for becoming successfully established. They could also be given more and better leads and listings, but the company is restricted in this by its fear of aggravating the top agents. Highgate Realities have taken two steps towards improving the lot of its new agents: they have appointed Jim Young, who acts as a counsellor and "general salesman" as sales manager, and they have initiated their own training program.

A more fundamental change might prove fruitful. The new agents lack security. This often forces them to adopt short-term strategies, such as concentration upon sales rather than listings, which produce long-term failure. The company could help by providing security through a basic salary of say \$6,000, in the first year; and by training the agents to concentrate upon laying the groundwork for a successful long-term career, that is, to concentrate upon gaining those intermediary resources required for success (listings, a territory, and social contacts). The salary-income could be

supplemented by a proportionately smaller commission for each listing and sale that the new agent makes. The company could protect itself from becoming a training-ground for new agents by building some sort of longer-term obligation of the agent into his initial employment contract. This change would call for a greater initial investment by the company in its manpower, but it should pay off by gradually reducing its percentage of low-producers.

Some Implications and Further Questions

The social relations that underly real estate transactions give a new perspective on the nature of the market and price determination in real estate. The price of a house is not simply market-determined; market trends are best seen as one of a set of factors which influence the bargaining positions of buyer and seller. These in turn determine price. The concept of "market" itself as it applies to real estate needs further examination. It seems that markets exist only to the extent that comparisons are possible. Real estate agents, brokers, and boards are the main disseminators of information enabling such comparisons. In practice, nevertheless, the range of comparisons is still restricted. This, together with the important influence of non-market factors upon prices, justifies using the term "quasi-markets" in referring to the social economy of residential housing.

These findings, confined to the investigation of a single real estate market, are tentative; but they suggest a

whole field of research for the economic sociologist, the comparative study of social relations in various sub-markets of industrial societies. We would expect, for example, that market forces would be the main determinant of prices in the stock market, with idiosyncratic factors being negligible. But we might also find that skilled traders are able to manage information so as to manipulate prices, at least in the short run. In the field of real estate alone, we need comparisons of behaviour in rising, falling, and static markets, as well as more detailed analyses of other kinds of real estate: investment,¹⁹² industrial and commercial.

Our findings also suggest that notions about the nature of competition and restrictions upon competition may not be as clear as is generally assumed. The Montreal Real Estate Board sets minimum commission charges for its members. This restricts competition, but it is also a protection for smaller companies who might be driven out of business if their larger competitors were to cut their rates in the short run. Through these set rates, and through the MLS system which gives small companies access to the clients of their larger competitors, the board may well be promoting long-run competition and good service to clients.

Our study also raises some questions in two well-established areas of sociology, occupations and organizations.

¹⁹²I have some preliminary data in this sector from the investment department at Highgate Realities, and hope to do more research into the social implications of housing owned as an investment.

Occupational sociologists have naturally concentrated upon organizational and professional careers, the dominant types in industrial societies. Real estate agents fit neither of these patterns, but are more like the entrepreneurs described by economic anthropologists. Success depends upon their ability to convert a set of initial resources (time and effort) into income and capital (social contacts) through a series of intermediate conversions (listings, establishing a territory). Many occupations could be analyzed in terms of this model -- other salesmen, small businessmen, community organizers, even politicians. Such studies would undoubtedly lead to modifications for each case, and improvements in the general model.

The entrepreneurial career pattern of real estate selling relates directly to our findings for the real estate company as an organization. The agent's entrepreneurial activity in dealing with clients makes him more independent of the company than is usually assumed for employees in theories of organizations. This is reflected in the agent-company relationship, one based upon services from the company for commission from the agent, rather than wages from the company for work from the agent. The relative lack of company control is seen in the strong bargaining position of the top producing agents, and in the lack of formal rules governing agents' behaviour within the department.

It would be interesting to investigate the organizational implications of other businesses organized along non-bureaucratic

lines. The construction industry, with its system of contracting and sub-contracting, is one example.¹⁹³ Other variations are likely in the field of entertainment, in investment and insurance concerns, and in those national industries which organize distribution through local agencies. By developing grounded models of different types of work organizations, we should be able to build better formal theories in which centralized bureaucracy with a formal hierarchy of offices is seen as one possible form, depending upon a wages- or salary-for-services type of contractual relationship.

This study has used field methods to investigate the occupation of residential real estate. But it has attempted to understand the occupation as part of a wider socio-economic system, and to learn something about that system. To the extent that it succeeds, it suggests that such methods can be helpful not only for understanding micro-level social processes, but also towards furthering our knowledge of larger social and economic structures.¹⁹⁴

¹⁹³For an initial study of the construction industry, see Miles Colean and Robinson Newcomb, "The Organization of the Construction Industry," in Urban Housing, ed. by Wm. L.C. Wheaton, Grace Milgram, and Mary Ellen Myerson (New York: The Free Press, 1966), pp. 307 - 313.

¹⁹⁴My findings are not original in this regard. In his classic study, Whyte used participant observation at the micro-level to learn much about such macro-level social structures as racketeering, politics, and social welfare. See, Wm. Foote Whyte, Street Corner Society (Chicago: University of Chicago Press, 1955).

Appendix I.

METHODOLOGY

Phillip Hammond has pointed to a need for personal descriptions of research as a process to balance the more prevalent formal presentations of methods from a technical point of view.

For very few social scientific reports, it appears, with all their discussion of methods, contain accounts of the "method" by which they came about. There are almost no chronicles of social research.¹⁹⁵

This appendix represents an attempt at such a chronicle. I shall discuss how I became interested in studying real estate, why I chose a field method approach, and some of the problems I encountered. I shall outline the main sources of data used, give a personal account of the research process and main influences upon my approach, and then consider the main advantages and limitations of the method for my purposes.

Sources of Data

The core source of data for most of the thesis is my own observations, unstructured interviews, informal conversations, and marginal participation in the daily activities of the members of the residential sales department of Highgate Realities. Supplementary sources of data on the department were its sales,

¹⁹⁵Sociologists at Work, ed. by Phillip E. Hammond (Garden City, New York: Doubleday Anchor, 1967).

listings, and advertising records, and the daily information sheet, Notes to Salesmen. These sources of data comprised as follows:

1. Attendance at 42 sales meetings of the department between April 1st, 1969 and October 6th, 1970.
2. Informal interviews with 19 different residential real estate salesmen of Highgate Realities. These interviews lasted from one to two and a half hours. Some of the most successful salesmen were interviewed two or three times. These later interviews were particularly useful for asking more probing questions.
3. Informal conversations with various agents, secretaries, and managers. Some of these were based upon specific questions which I had prepared in advance. I did not keep count of the number of these informal conversations. I wrote up detailed field notes for 24 of them.
4. Participation in 23 caravans, the occasions during which all the agents visited the new listings acquired by their colleagues during the previous week. This was the only time at which I was a full participant, since vendors assumed I was one of the agents from Highgate who had come to inspect their houses.
5. Interviews with management: one with the General Residential Sales Manager responsible for all three branch offices, one with the Personnel Manager, and two long interviews with the Sales Manager of the Head Office

(Jim Young) near the conclusion of the research.

6. Simple observation of activities in different parts of the department, including 13 observation periods for which I wrote up detailed field notes. The "dross rate" was so high for most of these periods that I discontinued them in the latter half of the research. Most of the agents' important activities took place in their offices beyond the field of my observation. An important exception to this were five periods of observation in the sales manager's office which were an extremely rich source of data.

7. Attendance at one training session for new agents.

8. Attendance at one broker's inspection for outside agents held by a Highgate agent, and a visit to two outside agents' inspections with two Highgate agents.

9. The daily Notes to Salesmen is one of the main means of communication within the department. It includes latest sales and listings information, any revisions of listings, and a number of announcements from the management to the agents. I received every copy of the Notes for the fiscal year from 1st November, 1969 to 31st October, 1970. They were a good source of unobtrusive data for checking tentative hypotheses.

10. Departmental records included monthly sales and listing information and advertising allowances for the past ten years. This data was helpful in tracing career performances of agents, in tracing agent turnover rates,

and relating listing and sales performances.

Historical information about the company was obtained in talks with the Personnel Manager, the General Manager of Residential Sales, and another director of the company. The President gave me a paper he had written about the history of Highgate Realities.

Information about the law governing real estate was gained during a Real Estate Course which I attended sponsored by the Canadian Property Managers Association, through talking with Professor Robert Cooper of the McGill Law Faculty, and through reading in the McGill Law Library. Background information about the wider organization of real estate in Montreal was acquired in interviews with the Information Manager and the Statistician of the Montreal Real Estate Board, and from various publications of the Board, including its by-laws, code of ethics, and a pamphlet describing its history. I interviewed three agents from outside companies to get some idea about the generalizability of the findings and peculiar features of Highgate Realities. (Most of the agents interviewed at Highgate had also had experience in other companies, and provided comparative information as well.)

In order to check that agents' accounts of their relationships with vendors and clients were not giving me a false, one-sided impression, a small sample of vendors was interviewed. The sample was drawn from the area in which Highgate agents worked. Since the aim was not to determine characteristics or types of vendors, no attempt was made to make the sample representative of the population of vendors or

home owners in the area. I was interested in checking my understanding of agent-client and agent-vendor relations and the process whereby houses are sold through an independent source of data. Although vendors and clients displayed different biases from agents, they gave a similar account of the types of activities and conflicts that occur. Thirteen vendors were interviewed, three by myself, and the other ten by two graduate students at McGill who were also interested in the sociology of housing.

Finally, data about real estate trends in various sections of the island of Montreal were provided by the Montreal Real Estate Board. These data were useful in understanding the particular conditions under which Highgate Realities and its agents were working at the time of my study.

Personal Account

This study developed out of my interest in a more general study of housing being supervised by Professor Roger Krohn at McGill University. I had known Professor Krohn when I was an undergraduate and he a young Assistant Professor of sociology at Memorial University in Newfoundland. He left Memorial in 1964 and moved to Ohio for a year and then to McGill. I left in 1965 and went to England for two years where I studied Politics, Philosophy, and Economics at Oxford University.

Through our separate experiences, Professor Krohn and I both came to believe that economic processes are central to an understanding of our society for the sociologist, and that

an empirical approach to analyzing the social relations of production and exchange could be a fruitful complementary approach to formal economic analysis. When I left Oxford, I spent a year as a Sessional Lecturer in sociology at Memorial, and was impressed by the work of the Institute of Social and Economic Research there in combining the efforts of economists and social anthropologists to study the social-economy of Newfoundland fishing villages.

At that time, I learned that Professor Krohn had begun a research project in Montreal to study housing in terms of such an approach. I corresponded with him, and decided to accept a position as a Ph.D. candidate at McGill under his supervision.

The early studies in the wider project had been of landlord-tenant relations in a number of Montreal areas. When I arrived, Professor Krohn was thinking of possible ways of getting information and insights in other areas of the housing sector. One possibility was some sort of study of a real estate company. I had always found field research monographs, such as Whyte's Street Corner Society, to be most interesting and useful in explaining aspects of social structure. I therefore decided to satisfy my two sets of interests, and to accommodate to the larger project, by doing a participant observation study of a real estate company. We picked Highgate Realities because it was one of the largest companies in Montreal. Our concern was to find a company that was known to be intimately involved in the local community and in all phases of real estate, rather than

one that was more "typical" of the business. Professor Krohn phoned and then visited the company, and they kindly agreed to allow the study.

I had initial interviews with the General Manager of Residential Sales and the Personnel Manager, and explained that I was interested in the departments that dealt with selling and managing housing. They suggested that I start in the residential sales department, and introduced me to the sales manager of the head office branch. This man, whom I have called "Jim Young" in the study, turned out to be extremely co-operative, and was largely responsible for providing access to much of my data. Field researchers are in a highly dependent role within the organizations and communities which they study. I owe much to Jim Young, and to my other major informants: George Lidstone, John Mason, Peter Green, and Fred Townsend.

During the spring of 1969, I began my field research by going to the residential department once or twice a week for approximately four hours. I was a naive field researcher at the time, and was fortunate to be enrolled in a field methods seminar at McGill conducted by Professor Malcolm Spector. Professor Spector gave me invaluable help during my early days in the field and constructively criticized my first field notes.

My first important decision was to choose my role in the field. I thought of becoming a residential agent. This would have given more direct access to certain areas of information, particularly agent-agent and agent-client relationships. But I decided against it on the following grounds:

(1) I wanted to be able to devote full-time to the research, rather than to trying to become established as an agent; and

(2) in such a competitive business, I feared that the agents would be less willing to co-operate with the research if they came to see me as a competitor in their work. I decided, therefore, to let people know that I was researcher and not to adopt a role within the organization. When questioned, I would explain that I was "trying to learn all I could about the real estate business for my Ph. D. thesis in sociology at McGill". This explanation satisfied most of the agents and managers. They took an interest in the research, and were willing to talk with me whenever they were not busy.

I found that this role was quite satisfactory. It gave me great freedom within the company, and I was able to spend more time talking to and observing the top agents and the sales manager than if I had been a new agent myself. My main problem was that I often found my position personally frustrating, particularly when I began spending 4 or 5 hours every day in the field. I was a marginal person about the department. The agents were very co-operative, but, naturally, only when they were not busy. Because their work is unpredictable, many conversations and interviews were interrupted by the agent receiving a call from a potential vendor or client, and having to leave to continue the interview later. I completely lacked authority within the department, and simply had to adjust my own schedule as best I could to the unpredictable schedules of others.

I also felt somewhat socially isolated when agents and managers discussed their work experiences and proposed company policies among themselves.

I did, of course, join in informal conversations, including many about real estate itself. The lack of social contact among agents outside the work situation precluded my integration into the group in that way. The agents themselves seemed to feel my marginal status. The most common form of their opening a conversation with me, other than asking about my research, was to ask: "Well, Doug, when are you going to start selling houses?" I do not think that my marginality had a negative effect upon my research; it may even have been advantageous in helping me keep an objective perspective. But it did, at times, detract from my enjoyment of what I was doing when I felt like joining in and asserting myself more.

My early days in the field were instructive in showing that the method must be fitted to the situation. Seeing myself as a participant-observer, I began by sitting in the main office of the department and taking notes on what I saw and heard. After a few days, I began to realize that I was getting very low quality data. I was learning something about the secretaries' boy-friends and week-end activities, but very little about real estate. The problem was that the important decisions and interactions were taking place behind closed doors in managers' and agents' offices. The technique I was using would work well for studying a group of workers in a single room, but it was not suited to the task I had set myself.

I decided that the best way to gain access to agents' offices was to ask them for informal interviews. Interviews came to serve a dual function: they were a major source of data and ideas in themselves, and they also gave access to the behind-the-scenes activities within offices. I explained to the agents that I did not mind if they went ahead with what they were doing during the interview, and that it would even be to my advantage because I could learn something about their work. They were only too willing to agree to this. In many cases the interview opened up a more lasting contact between the agent and myself. Some agents suggested that I could drop in any time they were not busy with a client to ask further questions or simply to see what they were doing.

I also talked about the problem of accessibility with Jim Young. He agreed to let me spend a few mornings sitting in his office while he talked to agents, received calls from vendors and clients, and dealt with problems as they arose. I spent five mornings doing this at different times during my research. It was a very rich source of data, but I did not want to push it too far. It complicated matters for Young, and there were a few awkward moments when agents looked uncomfortable with me there.

Another problem was that agents were reluctant about having me present when they talked to vendors and clients. Having a third party present might threaten their chances of making a sale. I could not solve this problem, and had to settle for secondary data about agent-client and agent-vendor

relationships. Much of this came from sales meetings where the agents discussed sales, listings, and offers among themselves. The sales meetings provided the bulk of my data from simple observation. I also asked questions about clients and vendors during interviews and conversations with the agents. Finally, to check that my impression was not too one-sided, two other graduate students, Huntley Duff and Mitchell Prestman, and I interviewed thirteen vendors.

As the research process emerged, it can be conceived as having had three over-lapping phases. The first and most intensive phase in terms of time spent in the field, extended from April to September, 1969. This was the exploratory phase: I took detailed field-notes every day about everything that I saw and heard. It was mainly a fact-finding phase, although I did begin to formulate initial interpretations and hypotheses as well. October, 1969 to March, 1970 was a kind of latent period for the research as I was busy satisfying other Ph.D. requirements at McGill. I did continue to visit Highgate Realities as much as possible, usually for the weekly sales meeting and caravan. I also read studies that were related to my research, and generally thought about my initial findings. It was during this period that I read Glaser's and Strauss's The Discovery of Grounded Theory, which helped me formulate my research process for myself.

The next phase ran from April to mid-July, 1970. It can be thought of roughly as a testing phase. Testing may be too strong a term. In this phase, I was more directive in my

questions and observations than I had been earlier, as I checked upon and tried to elaborate some of the tentative hypotheses that I had developed during and after the exploratory phase. This process of hypothesis testing in field research is best illustrated by an example.

From my observations of certain pairs of agents, and from their comments to me, I got the impression that agents tended to work in cliques, and that the cliques provided protection from outside competition. I tested this by further observation where I was consciously looking for confirmative or negative evidence, and by asking a number of agents about it. The evidence did not confirm my tentative hypothesis that agents tend to form cliques, or at least it gave only partial confirmation. Some agents did work in pairs or small cliques to some extent, but these tended to be unstable; others claimed that they preferred to deal with certain other agents when possible, but that it was often not possible and they were prepared to deal with anybody if need be; while others, including many of the top agents, denied that they worked in cliques or partnerships.

These findings led me to re-formulate my hypothesis. It seemed that an agent could not predict when he would need to co-operate or compete with his colleagues. Cliques would then be unsatisfactory solutions to the problem of competition and ambivalence, because a clique member could never tell when he might have to compete with a fellow-clique member or to co-operate with an outsider. Competition and co-operation

occurred on a situational rather than a personal basis, and agents were unable to arrange things otherwise. We would then expect that clique formation, to the extent that it did occur, would be incipient and unstable. Further observation and questioning, and revision of my earlier field notes, confirmed this explanation. In this case, I was able to test my hypothesis further through an unobtrusive measure, the pattern of inter-agent co-operation in the department's Notes For Salesmen for a year. The Notes showed no evidence to suggest that agents regularly co-operate with only a few clique members.

I left the field for six weeks from the middle of July to the end of August, 1970, and my wife and I went on a holiday to my parents' home in Newfoundland. While there, I reviewed my field notes and theoretical ideas. My final two months in the field were September and October, 1971. They were devoted mainly to filling in gaps in my data, and to checking a few final hypotheses. The decision to terminate the research was based upon two criteria: I believed that I had enough data and ideas to write my dissertation, and I wanted to begin writing while my findings were still fresh and interesting to me. Field research can never be satisfactorily finished, because the more you learn the more you realize that there are areas that you do not know about.

This division of the research into phases was much less clear-cut in practice than the above discussion implies. I continued gathering some general data until the end, particularly during sales meetings and caravans, but I was more specific and

systematically focused in my questions of the agents and managers, and deliberately spent more time discussing ideas with the most influential and informative members of the department. There can be no sharp division between data gathering and idea testing in qualitative field research. Indeed, some hypotheses do not emerge until after the research has been completed. In a sense, these are post facto explanations, but they can be treated as tentative hypotheses and be rejected if they do not stand up to systematic checking of field notes.

I will conclude this section by discussing a few specific successful tactics that I used and mistakes that I made, which may be of interest to other researchers. One approach that worked particularly well with agents who were skeptical of the research or reluctant to co-operate was to ask them for help. Fred Townsend, with whom I had been making little progress, commented one day as he walked by me: "You're wasting your time, you're only seeing the tip of the ice berg." The following day I went to see him, told him that I had been thinking and worrying about what he said, and asked for his advice. With that he opened out, and eventually became one of my best informants.

I was careful to avoid getting into controversies over political issues, since real estate agents are more conservative in their political views than I am. I also dressed conservatively, and wore my hair shorter than I would otherwise have done. I believe that the field researcher has a strong obligation to conform to the standards of the group that he is studying while among them. Pragmatically, such behaviour is also good tactics,

since the researcher can do nothing but jeopardize his position by antagonizing his subjects.

It is difficult to pin-point the reason when things go wrong in field research. My greatest failure was my abortive attempt to extend my investigation into the investment department where I was unable to obtain co-operation from the manager. One of the problems may have been that I over-extended my freedom to examine records in the property management department, of which he was also head. I received permission from a lower-level authority to look at some information about tenant turnover rates. In the same filing cabinet, I accidentally found some files containing financial information. The assistant manager came in while I was looking at these, appeared worried, and went to talk it over with the manager. He returned and asked me politely not to examine those files which were confidential between manager and owners, and I of course complied. But I think this incident may have damaged my chances with the manager. I should have asked permission first from the assistant manager before opening the files, and stressed that any information would be held in strict confidence. If permission were refused, I would at least have avoided damaging my rapport, and the managers might have felt some obligation to comply with another of my requests. My short-term gain (information from the file) probably jeopardized my long-term research success.

Another mistake which I made illustrates that the naive researcher should not pretend to know too much about the organization, particularly during the early stages of his research.

I was surprised during a sales meeting, after I had been in the field for about two months, by Jim Young's asking me whether I had noticed anything that might be helpful to the department. I was unprepared for this, and said the first thing that occurred to me: I had noticed that the agents often made suggestions at meetings, but that no record was kept, and most of them were simply forgotten. Young and the agents were obviously surprised by this, and my comment received the same treatment as most of the agents'. The incident is described in my field notes.

Jim Young. And how about you, Doug? How are you making out sitting around observing what we do? What have you found out about us?

Researcher. Well, so far I've been getting a general picture of the activities of yourself and the agents. I wanted to do this before I talked to various agents separately as I hope to start doing now. You should get a better idea then of the sort of thing I'm interested in and what I've been finding out.

Young. You know, we expect that getting a fresh view of ourselves will uncover some mistakes about our procedures which we just take for granted now. Have you found out anything like that yet?

Researcher. I have a few ideas, but in most cases it's too early to say definitely. But one thing I have noticed, for example, is that a lot of suggestions seem to be made at meetings but there's no record of them and they seem to be forgotten.

Young. You mean we should keep some sort of records?

Researcher. Well, I wouldn't want to try to say what you should do, but I can point out a few things that I notice which you may not have realized.

George Lidstone. I have to agree with Doug. I know there have been a lot of suggestions, I've made a lot myself, that haven't been acted upon.

Young. Well, of course we can't act on all the suggestions, but we try to take them into account. Do you remember, George, we used to have summaries of the meetings written up and distributed a long time ago?

Lidstone. Yes, I remember. But I don't think too much was done about it then.

Young. Well, who thinks that it would be a good idea if we started to do that again?

(no answer by the agents.)

Young. Let's think about it.

My comment was naïve because at the time I had not grasped the ritual significance of sales meetings. They act as an out-let for agents' complaints, and ideas are screened by the managers with only a few acted upon. Written records of meetings, like formal rules, would interfere with managers' freedom and flexibility.

The incident is itself useful for understanding the functions of meetings. On the other hand, my naïve comment had an unmasking effect which was uncomfortable for Young and the agents. Young did not ask for my suggestions again during meetings, although he did ask about a few matters privately. If I had been able to make a useful suggestion, I might have improved my research position. As it was, I should have avoided making a suggestion at the time. Fortunately, the incident did not hamper my relationship with Young, who continued to be very co-operative. His comment above indicates one of the main reasons for this: he was hoping that my research might point out weaknesses in the organization which he had not noticed, and which could be made more efficient.

Main Influences on the Approach

I have been much influenced by Glaser's and Strauss's The Discovery of Grounded Theory,¹⁹⁶ but differ from them in certain respects. I believe they have overstated the difference

¹⁹⁶Barney G. Glaser and Anselm L. Strauss, The Discovery of Grounded Theory (Chicago: Aldine, 1967). This influence was discussed in Chapter 1. I am dealing here with ways in which I differ from Glaser and Strauss, and with the other main influences on the work.

between grounded and logico-deductive theory. At times, they seem to imply that grounded theories can actually be induced directly, but a theory is a mental construct which cannot be found in the data themselves.¹⁹⁷

I believe that Glaser and Strauss also underestimate the influence of other theories and preconceptions upon the development of grounded theories. As sociologists of knowledge have shown, one's own training and background are bound to influence one's perceptions and explanations of social reality.

Although I have attempted to ensure that the concepts and explanations of this study are well-grounded in the data, there is no doubt that a number of theoretical perspectives and empirical studies have influenced the direction of research and formulation of findings. To a large extent, these theories and studies, rather than being predetermining, have themselves entered into the process of discovery. When I found myself thinking in terms of different real estate careers, for example, I turned to the literature in the sociology of occupations and gained helpful insights which in turn influenced the research. Reading can become incorporated into the process of investigation and development of grounded theory.

¹⁹⁷Recent philosophers of science have been clear in making a distinction between scientific evidence and the theories or mental constructs created by scientists to explain evidence. See, for example, Ernest Nagel, The Structure of Science (London: Routledge and Kegan Paul, 1961); Norman Campbell, What is Science? (London: Dover, 1953); and Thomas S. Kuhn, The Structure of Scientific Revolutions (Chicago: University of Chicago Press, 1962). Among sociological statements on the subject, see James M. Bashers, "Models and Theory Constructions," ASR, 22, 1957, pp. 32-38; and R.K. Merton, "Sociological Theory," AJS, 50, 1944-45, pp. 462-473.

The first important theoretical perspective influencing the direction of the research was economic anthropology. Anthropologists have progressed more than sociologists in developing models of different forms of economic organization, particularly economic exchange systems.¹⁹⁸ These models suggest the probable importance of such things as detailing reciprocities in particular exchanges, of noting conversions of one resource (e.g. information) into another (e.g. money), of determining the extent to which non-material factors influence exchanges, and of relating economic to wider social and political processes.

But the economic sociologist in many ways faces a different task from the anthropologist. Whereas the latter can often develop models of exchange systems that apply to whole primitive or peasant societies on the basis of his data, this is impossible for a single field researcher in economic sociology. The great size and complexity of industrial societies makes it impossible for him to develop models that are at the same time both well-grounded and generally applicable to the whole economy. The economic sociologist must invent means of dealing with this dilemma. The strategy suggested and illustrated in this study has been to start with a detailed investigation of "lower level"

¹⁹⁸See, for example, Bronislaw Malinowski's classic analysis to the Kula in Argonauts of the Western Pacific (New York: E.P. Dutton and Co., 1922); Marcel Mauss, The Gift (London: Cohen and West, 1954); and Marshall D. Sahlins, "On the Sociology of Primitive Exchange," in The Relevance of Models for Social Anthropology, Michael Banton, ed., A.S.A. Monographs (New York: Praeger, 1965).

economic processes, not as isolated phenomena, but as processes which occur within a wider institutional context. Although the parameters of the wider context cannot be described in detail (the necessary research is yet to be done), it is possible to outline them in a general way in terms of the way they impinge upon the lower-level social unit being investigated. A more comprehensive understanding of the lower-level unit, in turn, can show how organizational patterns and structurally influenced decisions at this level have important consequences for the wider institutional context.

While primitive and peasant economies are generally characterized by small productive and exchange units, industrial economies are based upon large-scale private or public organizations which themselves require detailed analysis and investigation. A major branch of sociology, generally called Formal Organizations, deals with these social units, and is another important source of guiding ideas for this research. Generally, I found the formal theoretical statements in the field less helpful than the more specific studies of Crozier, Blau, Dalton, Gouldner, Goffman, and Strauss et. al.¹⁹⁹ Although these investigators have often not formulated their theories of

¹⁹⁹Michel Crozier, The Bureaucratic Phenomenon (Chicago: University of Chicago Press, 1964); Peter M. Blau, The Dynamics of Bureaucracy (Chicago: University of Chicago Press, 1955); Melville Dalton, Men Who Manage (New York: John Wiley and Sons, 1959); Alvin W. Gouldner, Patterns of Industrial Bureaucracy (Glencoe, Illinois: The Free Press, 1954); Erving Goffman, Asylums (Harmondsworth: Penguin, 1968); Anselm Strauss et. al., Psychiatric Ideologies and Institutions (New York: The Free Press, 1967).

complex organizations explicitly, they share a number of assumptions and directions in their research.

They all focus upon aspects of organizational activities that are not obvious to the superficial observer, and are often not in accord with the organizations' self-images. The focus is upon informal and dynamic aspects of organizational activities such as clique formation, bargaining and negotiation in decision-making, conflicts, informal sanctions and rewards, and processes of rule-making and rule-breaking. Although they emphasize dynamic features of complex organizations, these investigators also try and account for regularities and routine. They attempt to explain the basis of consistencies and patterns of organization without having to make the limiting assumptions of the structural-functionalist school of sociological theory.²⁰⁰ Strauss's²⁰¹ concept of "negotiated order" represents this trend among symbolic interactionists, and Homans'²⁰² notion of "practical equilibrium" among exchange theorists.

My research has been influenced by both the symbolic

²⁰⁰Crozier is an exception in that he adopts a functionalist approach, although he does recognize its limitations and tries to avoid them as far as possible. The term "function" does not need to imply the structural-functionalist meaning in terms of system maintenance. Where the term was used in this study it was in reference to achieving organizational goals, not maintaining systems.

²⁰¹Op. cit.

²⁰²George Caspar Homans, "Social Behaviour as Exchange," in Sentiments and Activities (London: Routledge and Kegan Paul, 1962).

interactionist and exchange variants of the trend.²⁰³ Concerning the social organization of real estate, I have found the image of negotiation presented by Strauss to be too volatile.²⁰⁴ There are basic structural features which are quite consistent over time. Furthermore, these persistent structures can be explained in terms of the wider institutional context, and the underlying social relationships and reward systems such as the services-for-commission employment contract. To this extent, my analysis is more compatible with exchange theory.

On the other hand, behaviourist psychology and its vocabulary of positive and negative reinforcement, the normal psychological basis of exchange theory, is too limited and oversimplified for comprehending day-to-day behaviour of the members of the company and their clients. Contrary to Homans' conditions for practical equilibrium, change would occur even where social profit levels are high²⁰⁵ if members of the organization expected that the change would increase profit levels even more.

~~Behavioural psychology cannot account for man's extended~~

²⁰³Conflict theory, as implied by Dalton, can be considered a special case of exchange theory. See the discussion by Walter L. Wallace, ed., Sociological Theory (Chicago: Aldine, 1969), pp. 31-34.

²⁰⁴This volatile image is clearly expressed in the following quotation:

Negotiation is not "organized" in the sense that it lays down permanent expectations for behaviour. Rather, expectations are perpetually negotiated, as new situations arise. The bases for working together are continually reconstituted through negotiation.

Op. cit., p. 374.

²⁰⁵Homans' theory of "practical equilibrium" could not account for this because it implies that the situation would remain static as long as levels of "social profit" are high.

behavioural context through language and mental processes. This requires analysis with concepts such as interpretation, expectations, definition and redefinition of the situation, strategies, and tactics. This vocabulary of mental processes is not necessarily incompatible with one of costs and rewards. Indeed, individual and collective strategies are essentially mental constructs which guide behaviour with reference to expectations of future rewards.

The organization of economic activities within large organizations in industrialized societies has major implications for people seeking success and work satisfaction within them. The study of the nature of work within these organizations and its effects upon the psychological development of individuals has been a major theme in sociology since Karl Marx conceived his theory of alienation and Emile Durkheim his theory of anomie. In the twentieth century, Industrial Sociology has focused mainly upon worker satisfaction and productivity within large organizations and worker-manager relationships.²⁰⁶

Occupational Sociology has been concerned more with those service occupations where the practitioner is involved in a complex of relationships with clients and colleagues.²⁰⁷

²⁰⁶Examples are: Ely Chinoy, Automobile Workers and the American Dream (Garden City: Doubleday, 1955); and R.D. Leiter, The Foreman in Industrial Relations (New York: AMS Press, 1948).

²⁰⁷A path-breaking discussion is Everett C. Hughes, Men and Their Work (Glencoe, Illinois: The Free Press, 1958). Recent examples include Fred Davis, "The Cabdriver and his Fare," *AJS*, 65, 1959-60, pp. 158-165.

Real estate is an occupation in which its agent practitioners are enmeshed in a complicated network of relationships with company managers, colleagues within and from other companies, clients trying to sell and buy houses, and practitioners from related fields such as lawyers and mortgage lenders. To a large extent, this study was concerned with developing models which typify these different relationships. Other models of industrial and service occupations suggested some of the main issues, but none of them could be applied realistically to real estate without major modifications. Studies of occupational careers²⁰⁸ helped formulate the section of real estate career patterns, and anthropological investigations of entrepreneurs²⁰⁹ and middlemen²¹⁰ were useful in showing how individual strategies and characteristics relate to these career patterns.

The influences upon the research reported here, then, were many and various. This does not mean that the theories and models were a priori. Many concepts have been generated from the data themselves and many have been adapted from the work of other

²⁰⁸See the examples cited in footnote 209 below, Becker's article "The Career of the Chicago Public Schoolteacher," AJS, 57, 1952, pp. 470-477; and Oswald Hall "Types of Medical Careers," AJS, 55, 1950, pp. 243-253.

²⁰⁹Frederik Barth, ed., The Role of the Entrepreneur in Social Change in Northern Norway (Oslo: University of Oslo Press, 1964); and Cyril S. Belshaw, "The Cultural Milieu of the Entrepreneur," Explorations in Entrepreneurial History, 7, 1954-55, pp. 146-163.

²¹⁰Robert Paine, "A Theory of Patronage and Brokerage," in Patronage, Brokerage, and Clientship in the Arctic (St. John's, Newfoundland: Institution of Social and Economic Research, n.d.)

sociologists, but not unless they have been shown to fit the data. This approach has its advantages and limitations.

Advantages and Limitations of the Approach

The accepted view towards qualitative methods in twentieth century American sociology has been that they are useful in an exploratory way at this early "stage" of social science, but they are only helpful in so far as they lay the ground-work for "real" scientific investigation using quantitative methods. This view is so pervasive that it is often shared by the best field researchers themselves.

This, then, is not a scientific study, for it does not provide what Merton has called compelling evidence for a series of hypotheses. It is, rather, an attempt by a trained social scientist to describe and explain the behaviour of a large number of people...²¹¹
(my emphasis)

Our work corresponds, in fact, to an indispensable phase of scientific development,²¹² that which could be termed the exploratory phase...
(my emphasis)

While paying lip-service to the predominant image of science, these researchers, Herbert Gans and Michel Crozier, paradoxically proceed to defend their method as the only one suited to their task.

...I do not mean to cast doubt on the conclusions I reached -- I stand behind them all -- or on the methods I used. Participant-observation is the only method I know that enables the researcher to get close to the realities of social life.²¹³
(my emphasis)

²¹¹Herbert J. Gans, The Urban Villagers (New York: The Free Press, 1962), p. 349.

²¹²Michel Crozier, The Bureaucratic Phenomenon (Chicago: University of Chicago Press, 1964), p. 23.

²¹³Gans, op. cit., p. 350.

To resolve upon a clinical approach may seem regressive after certain earlier ambitions of the social sciences. However, this seems to us indispensable for all those problems which touch upon the sociology of institutions and the sociology of action. There are no shortcuts possible.²¹⁴

(my emphasis)

Perhaps it is the conventional wisdom, and not the method that is misleading. If field methods can "get close to the realities of social life," and "touch upon the sociology of institutions and the sociology of action", they may be as scientific as any other methods, depending upon the problem to be investigated. I believe that field methods are well-suited to discovering and analyzing aspects of social organizations and the processing of people through groups and institutions.

The practical, methodological advantages of field research are well-known: it provides immediate access to a sample of the social behaviour being researched, it is flexible in that techniques can be modified to suit the situation,²¹⁵ it permits the development of personal relationships with members of the group or organizations which makes more penetrating questions and discussions possible. The theoretical advantages of the approach have received much less attention.²¹⁶ I shall now discuss three

²¹⁴Crozier, op. cit., p. 23.

²¹⁵As in my abandoning simple observation in the company's general office. (See above)

²¹⁶With the notable exception of Glaser and Strauss, op. cit.

such advantages in my own research.

The first concerns the development of the main concepts and categories used in the analysis. The concept "structural ambivalence", for example, expresses a key aspect of the relations among agents. But this notion was emergent in the process of the investigation itself. It is a way of conceiving a discovery about social organization of residential real estate. The concept could not have been defined before the research began because I had no way of knowing what the typical relationships among agents were like. Indeed, one of the purposes of the research was to find out. It would have been difficult and arbitrary for me to specify concepts such as structural ambivalence, imbalanced reciprocity, and reverse employment before I began the research. Nor could I have defined satisfactorily the various categories of work, nor the agents' career patterns.

The second theoretical advantage is that the method is well-suited to explaining the processes by which the structural elements are related.²¹⁷ Take, for example, the finding that real estate agents had little informal social contact with each other. How could this be explained? Further investigation showed a high level of competition and mutual suspicion among agents. The avoidance of informal social contacts is one mechanism for dealing with this.

The third important theoretical strength of field research is that it permits the reformulation of questions and

²¹⁷See Herbert Blumer, "Sociological Analysis and the Variable", ASR, 21, 1956, pp. 683-690.

tentative hypotheses in light of what has already been found. Theory and research become inter-related processes, rather than separate phases of the design. Discovery becomes cumulative: the more the field researcher learns, the more penetrating questions he can ask, and the more he can learn. I could ask a top agent, for example, why he was often late for sales meetings, and explain his answer in terms of the strong bargaining position of star agents.

Nor do I mean to imply that these advantages apply only at an early exploratory stage, and that the concepts and hypotheses could be proved or better documented by another method. Most of my findings and formulations could certainly benefit from further research. But I would visualize this as using similar techniques to explore different types of companies, different market conditions, and different reward systems. The research could also be extended to higher organizational levels of the real estate business and to other departments. This would involve what Strauss and Glaser call the "constant comparative method", which is really a type of survey using field techniques and based upon important organizational variables rather than population characteristics.²¹⁸ Seymour Martin Lipset et. al. make a somewhat similar point in their discussion of tests of statistical significance for their study of the International Typographers Union.

²¹⁸I am indebted to Professor Malcolm Spector for pointing out that the usual distinction between case study and survey is too sharply dichotomous.

To replicate the study of another organization would confirm the result under quite different conditions, and this would seem of more value than the assurance offered by the usual Chi-square test. This is the method through which the natural sciences have made most of their remarkable advances, and there is no indication that many of these advances would have come earlier if modern statistical inference had been used instead.²¹⁹

My research suffers from all the limitations of any single case study using qualitative techniques. The most important of these concerns the generalizability of findings. To what extent can we generalize to other companies, to other cities, to different market conditions? With regard to forms of social organization, I believe that there is no simple answer to this question. The best that we can do is to assume that our models fit similar organizations elsewhere, until further investigations and comparisons show their limitations and misinterpretations. Science advances by new discovery and building better models of explanation, as well as further verification of existing theories through testing formal hypotheses.²²⁰

My study is limited in other ways as well. I was unable to gain access to first-hand data about agent-client and agent-vendor relations and my sample of vendors was small and non-representative; I was unable to widen my scope

²¹⁹Seymour Martin Lipset, Martin Trow, and James Coleman, Union Democracy (New York: The Free Press, 1955), pp. 482-484.

²²⁰See Thomas S. Kuhn, The Structure of Scientific Revolutions (Chicago: University of Chicago Press, 1962).

successfully to include the investment department or the property management department; and my analysis is confined mainly to the departmental level of the company. My discussion of types of career patterns seems logically clear enough, but it is limited by being based upon a small number of cases. Finally, my decision not to adopt an organizational role was advantageous in many ways, and I believe that my decision was correct; but it did prevent me from achieving the empathetic understanding of the problems and satisfactions of the agent's work that I might have achieved by becoming an agent.

I have tried to show why field research is a good method for investigating forms of social organization and the implications of them for their members. It permits the researcher to study his material first-hand and to formulate and reformulate his models and theories as his research progresses. To do better field research, sociologists need to become better field researchers. One step toward this is to share experiences, favourable and unfavourable, through personal chronicles of research projects. Appendix I has been an attempt at this for my study of real estate agents.

Appendix II

GLOSSARY OF REAL ESTATE TERMS

AGENT-- a person, legally employed by a broker, who makes a living as a middleman in negotiating sales between buyers and sellers of real estate.

AGREEMENT TO PURCHASE-- a signed agreement by a purchaser that he will buy a house from a vendor for a specified price and terms.

ASKING PRICE-- the price which a vendor initially asks for his house.

BROKER-- an individual, partnership, or company which provides office space, secretarial service, and training to agents in return for a share (approximately 50 per cent) of the vendors' commissions. Legally, brokers are the employers of agents.

BUYING AGENT-- the agent who represents the vendor in a sales negotiation.

BUYING BROKER-- the broker who represents the vendor in a sales negotiation.

BUYER-- (1) a person actively interested in buying a house.
(2) a person who obtains legal ownership of a house through the contract of sale.

CARAVAN-- at Highgate Realities, a weekly occasion during which the company's agents visit all their new listings.

CLIENT-- (1) as used by Highgate agents:

- a. a person actively looking for a house to buy with an agent.
- b. any person who is either trying to buy or sell a house through an agent.

(2) legally, a vendor who has made a listing agreement with a real estate broker.

COMMISSION-- an amount of money (usually 5 per cent or 6 per cent of the selling price) paid by a vendor to the listing broker. The listing broker gives the listing agent his share, and passes on another share (approximately 50 per cent) to the selling broker; the latter in turn distributes a share to the selling agent.

COMMISSION SCHEDULE-- a schedule, varying among companies, designating shares of the commission for listing broker, listing agent, selling broker, and selling agent.

CONTRACT LISTING-- a legally binding agreement whereby a vendor allows a broker and his agents to try to sell his house during a specified period for a specified price and terms.

COUNTER-OFFER-- a return bid by a vendor specifying price and terms in response to an offer by a potential purchaser. Normally, the price specified is higher than that of the offer but lower than the initial asking price.

EXCLUSIVE LISTING-- a contract listing in which the vendor gives a particular company the exclusive right to try and find a buyer for his house.

LISTING (AGREEMENT)-- an agreement between a vendor and a real estate company, in which the vendor agrees to pay a commission to the company, if its agents find a buyer for his house for a price and terms specified in the agreement within a specified period of time.

LISTING AGENT-- the agent who negotiates a listing agreement with a vendor, and who services that listing.

LISTING BROKER-- the broker with whom a vendor makes a listing agreement.

LISTING PRICE-- the asking price for a house specified in the listing agreement.

MBS (MUST BE SOLD) LISTING-- a listing where the vendor is anxious to sell his house as soon as possible, and may accept a low offer.

MLS (MULTIPLE LISTING SERVICE) LISTING-- a contract listing signed with a particular broker, but where all members of the Montreal Real Estate Board can try to find a buyer for the house.

MONTREAL REAL ESTATE BOARD (M.R.E.B.)-- the occupational association of real estate brokers in Montreal, with agents as non-voting associate members.

OFFER-- the price and terms offered by a potential purchaser for a house, usually somewhat below the vendor's asking price and terms.

OPEN LISTING-- an informal listing agreement in which no contract is signed, and the vendor remains free to sell on his own or through another broker.

POTENTIAL PURCHASER-- a person actively looking for a house to buy.

PURCHASER-- a person obtaining the ownership of a house through the legal contract of sale.

REAL ESTATE-- land and attached buildings.

REGISTRATION SYSTEM-- a system formerly in effect at Highgate Realities where an agent would register his client's (potential purchaser's) name in a book, and no other agent in the company could show houses to the client.

RESIDENTIAL REAL ESTATE AGENT-- a real estate agent who negotiates sales of owner-occupied houses, and of small residential buildings (up to four units) owned as investments.

SALE-- the process whereby ownership rights to a house are passed from a vendor to a purchaser, legally ratified by a contract of sale.

SELLER-- (1) a person who is actively trying to sell his house.
(2) a person who gives up ownership rights to a house through a sale.

SELLING AGENT-- the agent representing the purchaser in a sales negotiation.

SELLING BROKER-- the broker representing the purchaser in a sales negotiation.

SPLIT LISTING-- an exclusive listing where the listing broker, through the listing agent, grants an outside company the right to look for a buyer for the house listed.

VENDOR-- a person actively attempting to sell his house.

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