Why we need to make room for the emancipated MLS

As a precursor to the following comments, let me state unequivocally that I very much believe that a contemporary MLS should be a critically transformative element within the contemporary American real estate industry.

2016 was an active and somewhat controversial year for the MLS sector of the American real estate industry. The 719 MLS units currently engaged across the country were rocked by criticism from both inside and outside of the industry and the marketplace.

Continuing complaints about overlapping jurisdictional matters, dated technologies, irrelevant programs, products and inadequate services were all punctuated by the constant beat of Upstream and AMP (Advanced Multilist Platform) drums, and they kept everyone on their toes.

The problem: No forward progress

NAR, franchises and the large broker community put forth massive efforts to drive reform and improve mergers and consolidations for MLSs, but their labors resulted in few improvements, if any.

Despite holding dozens of expensive meetings in hotels and resorts across the country, 2016 generated almost no forward progress with respect to making the MLS a positive and contributing factor in the industry.

I find this state of affairs inappropriate as well as personally and professionally embarrassing.

The cause: antiquated methods

In an effort to spur a more creative and innovative agenda for my organization (MLS Listings) in 2017, I invited a small group of industry experts in the areas of operations, design, structure and culture to join me in an effort to identify what factors are contributing to this situation.

I believe the results of that meeting were both beneficial and worthy of sharing within our community.

It appears that a number of factors contributing to the MLS community's current conundrum can be traced back to the history of the MLS itself.

The birthplace of the current MLS was the local Realtor association. For much of the past 50 years the Realtor association has been the owner, master and effective parent of the MLS.

Even today, all but a dozen or so of the 719 operating MLSs continue to be owned, operated and parented by the same local association that originally gave birth to them. It is true that some have escaped association control and have managed to morph into regional or business centered entities, but that is not the norm.

Just as the original MLSs reflected the values of their parent associations, the fact is that today over 700 of these organizations are still operated in strict compliance with their parent organization's traditional values, which haven't changed much over the past 50 years.

Today, the industry has accepted the fact that one of many things that has to change is the continued existence of over 1,200 local associations. The industry also recognizes that many of its current threats and challenges have been caused by a lack of change and adaptation, which are so critical to survival in this current disruptive environment.

To be more specific, the following points represent well-established values that form the foundation of the traditional Realtor association.

The traditional Realtor association and its MLS

- The central principle that drives it is power, not service. Power is measured by each other, the state and the national association.
- The vast majority of its energy and efforts go toward maintaining the status quo and protecting its power.
- The association executive (AE) is the central figure responsible for the local association's power, deciding how and when it will be used.
- Most local AEs do not have careers, but rather hold positions that they expect will last a lifetime. The longer they are in power the more skilled they become with respect to protecting that power.
- Each successive year, AEs must exchange a bit of power to survive with a new chief elected officer. Maintaining power within the local association environment establishes a culture marked by traditions and legacies.
- The local association MLS is an important element within its power structure. This explains the industry's limited success with mergers and consolidations.
- Association power is maintained by dedicated people who are willing to achieve personal power and influence by demonstrating loyalty to the repetitive culture; some elect to achieve this through MLS volunteer service.

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- Survival of the traditional AE is marked by how well he or she uses the loyalist cadre through leadership, governance and committee assignments that perpetuate the status quo of the repetitive culture.
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- The traditional MLS never had to totally depend upon MLS revenues for their survival: They had other sources of revenue.
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- The traditional MLS quickly learned about the “cash cow” virtues of its MLS operation. For most of the past 75 years, revenues generated by the MLS have allowed local associations to build power within the state and national Realtor environment.
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- Throughout its history, the traditional MLS refused to recognize the real estate consumer as a factor with respect to its operation.
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- While some AEs were “techno literate,” few were techno savvy. Accordingly, few traditional MLSs sought to ensure that they were using and delivering the best technology available.
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- In negotiating with its MLS vendor, the traditional MLS operation prioritized cheap pricing.
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- When it came time to transition to new technologies the key issue was subscriber comfort, not increased service capacities and advanced professionalism; through this approach, local associations have been responsible for the relatively low profit margins realized by MLS system vendors and the less than ideal systems currently being used.
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- In many associations there has been a permanent state of siege between the AE and local brokers.
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- Both brokers and the association believe they own the market; brokers are annoyed when their agents volunteer too much time at the association.
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- Most AEs are very intimidated by their brokers, and few AEs make an effort to understand brokers and their business challenges.
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- Most AEs avoid brokers. The term “how can we help” has always been non-existent even during the bad market times when brokers lost money and AEs still collected full pay.
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- The purpose of the traditional MLS was not to support commerce, technology, ethical practices, a stable market, agents or brokerages: it was to protect and control the local marketplace from intrusion by either those outside the market or those who sought to bring change, adaptation and disruption into the marketplace.
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- The maintenance of the status quo has always been a primary traditional MLS objective; the weapons system for this objective has been the power to levy fines and enforce local rules.
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- A very common achievement profile for the traditional AE did not include higher education or advanced experience in other industries or fields.
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- Many AEs migrated upwards from entry-level positions within the association, where they picked up survival skills rather than achievement and leadership skills.
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- Traditional AEs generally didn't embraced forward thinking, regionalism, new business practices, change or technology in the context of their association or its MLS; nor did they seek growth, popularity, joint ventures or leadership positions.
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- The traditional MLS went to great lengths to discourage new, different, creative or innovative business models
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- The traditional MLS never valued specialized staffing or a dedicated staff; MLS clerks became MLS coordinators who became MLS administrators.
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- Membership and actions were tightly controlled by the AE in a manner that guaranteed little or no change. Frequently this committee was comprised of local agents who made decisions that were in their own best interests.

Each of my observations points to the need for a shift in industry standards. What was fine in our "family" of traditional associations and MLSs is not fine in today's global, more sophisticated, and highly competitive environment.

I suggest that we more closely study successful service-oriented businesses and begin to tangibly build those models.

It is time to require relevant expertise in professional disciplines for ascendancy in both associations and MLSs. It is also time for us to recreate business models that provide necessary brokerage business support, but respect the business goals of the associations and MLSs. Goal setting and strategic planning need to be part of the business model in order to achieve these things.

The emancipated MLS

I define the emancipated MLS as one that does not consider tradition a standard. The emancipated MLS examines its business practices and is motivated by its goals, not its history.

This type of MLS has broken free from the mothball-covered industry bondage that dictates who will lead and how.

From the very beginning, emancipated MLSs:

- Celebrated their new status by abandoning repetitive culture and adopting a competency-based culture.
- Learned to live with the revenues generated by their MLS-related efforts.
- Sought out creative and innovative leaders and expressed a belief in the great value of creating and maintaining positive relationships with the brokerage community.
- Reached out to create and encourage data sharing, mergers, consolidation and joint ventures with its MLS neighbors.
- Recognized the value of specialty knowledge and dedicated staffing at all levels of its operation.
- Actively worked to create strong and productive relationships with the brokerage community, especially relative to seeking out brokers and their representatives to serve as directors.
- Have provided the very best technology made available through both dedicated technology staffs and the creation of productive relationships with both the MLS systems vendor community and the technology sector.
- Recognized the consumer as an important consideration; many established public facing websites and worked to provide participating consumers with sophisticated search and analytic tools.
- Sought out, encouraged and made every attempt to support creative and innovative business models and standards of practice.

Understanding the issues

It is now clear why, over the past few years, executives representing emancipated MLS operations have had so much trouble convincing their traditional brethren to create MLS leadership positions within the new real estate industry environment.

Bucking tradition and changing culture are not tasks for the faint of heart, and those who do these things are often seen as a threat by those comfortable with the conformity of a traveled path.

The risk or reality of being quietly ostracized looms over those who truly desire new practices and standards, but we cannot continue to tolerate declining practices.

After taking a hard look at what we have been tolerating, we can better understand our own dilemma, and we can see why an institution with as much organic strength, natural potential and perfect positioning as the emancipated MLS has been unable to find opportunity and overcome

challenges of the new real estate marketplace.

The simple fact is that there are 42 traditional voices either defending or complaining about the status quo for for every emancipated voice seeking reform and the realization of potential.

It is abundantly clear why and how these traditional folks can attend meetings without comment or contribution: Doing the same thing requires little effort or attention — all they need to do is show up.

Change is difficult and exhausting, not rote. Effective change requires difficult meetings that challenge the imagination and stretch the mind.

Finally, it is clear why the traditional set is neither interested in moving in new directions nor in becoming part of the new industry solutions.

It isn't their fault — it is just how they are wired.

Moving forward will be anything but easy.

While we are denied the possibility or the advisability of a national MLS, it should be even clearer to those from the emancipated set how simple and relatively unrestricted such a move would be.

Moving forward

The fact is that the traditional set is simply incapable and unwilling to field any matter of effort to protect itself. They are also unwilling to work to protect their subscribers and the organizations that have supported them all these years.

The real question thus becomes whether or not the emancipated MLS movement should aim to protect its own investment and take a well-deserved position in the new real estate industry and market space.

There is time left.

The current status of the Upstream Project suggests the likelihood of a vacuum created at some point in the next 10 months.

The emancipated MLS movement should seriously consider using its strategic resources to enter the race. There should at least be a discussion.

James Harrison, RCE, CAE is president and CEO of MLSListings Inc. You can follow him on Twitter *@mlsjimharrison.*

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