

## **UNDERSTANDING THE RELATIONSHIP** **BETWEEN BOARD AND MANAGEMENT**

### **Introduction: “The Two Extremes”**

- The Management Extreme: “Leave us alone and let us manage.”
- The Board Members’ Extreme: Micro-management (doing management’s job, or trying to).

Management’s Rationale: “We’re the experts. We have the history, the experience, the appropriate insurance/bonding coverage, the time, the personnel, the resources, and the track record.”

The Board’s Rationale: “We’ve been burned before. First you (management) have to earn your stripes, *then* we’ll see about cutting you some slack.”

(But the micro-management continues, even if “the stripes have been earned.” And the “expertise” frequently reveals itself as something less lofty.)

It’s obvious that both of the extreme positions mentioned above are unacceptable. How could they *not* be, when you consider that the most appropriate working model is:

- the management company gives the Board advice
- the Board makes decisions based on that advice, and other appropriate criteria
- the management company carries out the decisions made by the Board
- the Board, *as the executive body responsible to the condominium corporation*, monitors the management company’s execution of the Board’s decision.

In this context, it’s of little consequence whether the management company is boutique-sized or a mega-boomer. Similarly, it doesn’t matter if the condo Board is comprised of hard-driving type-A personalities or introverts. What counts here is whether or not there’s a relationship that works for the benefit of condominium property being administered by that Board. The question that seems to elude so many condominium corporations is: “How do we get, and keep, that relationship?” The question that perplexes the management industry is “how do we get some respect?”

I’d strongly suggest there are value systems involved, one for each party to this relationship. These values may seem like pie in the sky to some of you out there who are either frustrated Board members or burned-out managers. But I’ve found in my travels that there are ways to (a) define the relationship (b) sustain the relationship (c) improve the relationship. This requires each party (the Board and management) to set standards, and to adhere to them. I like to presume that my thirty-plus years experience helping build management/client relationships has contributed to the formulation of these standards. I think of them as responsibilities, and I define them below.

## Management's Responsibilities (The "Three R's")

Management's key person (people) has (have) to be:

- **Reachable**
- **Reasonable**
- **Responsive**

Before I elaborate on this, let's do a brief review of today's situation (in the GTA at least, and I'm sure elsewhere as well, to a certain extent). By "situation" I mean "supply of capable property managers compared to the condominium properties needing capable management."

### Supply of New Property Managers

There are at this writing, in the GTA alone, hundreds of new properties having recently come on stream, or now coming on stream, in various stages of readiness. That means hundreds of new condo Boards, representing tens of thousands of new homeowners. Managers are needed for these properties, as well as the thousands of condominium properties already in existence, some of which are aging rapidly (in terms of their physical structure).

There are many capable, experienced managers. But more are needed. There are many exemplary educational courses across Canada (I'd attest without hesitation to the quality of the ACMO course). But what happens after the course is completed? What's it like for a new manager, sitting at a Board meeting, facing pressure from (and needing answers for) condo directors who are themselves accountable to their neighbours? Do these new managers immediately succeed?

### Training of New Property Managers – The Options

1. Start them as assistant property managers, where there's an experienced property nearby and/or accessible, for tutoring, support, and advice. This is already done to a considerable extent in the management field.
2. Start them in the capacity of "shadowing," or directly assisting, an experienced property manager. They're less "on their own" than in method 1, and this is the more expensive way to go, and, as such, is not done nearly as often. I think we can agree, however, that it's worth exploring, and a cost-effective way of doing it must be found.
3. **All this pre-supposes that the management company, whether small, medium, or large, has a meaningful, ongoing training and info-sharing program.** (More on that below.)

Now that the management company has acquired, trained and nurtured a multitude of prime, grade-A property managers, what are management's responsibilities to the Board/ Management relationship?

### Communication

- Management → Board: Keep the client informed.
- Management → Community: Rules enforcement, etc. (learn how to be "gentle but firm").
- Board → Community: Management has to assist the Board (content for newsletters, etc.)

### Accountability, Credibility

As I said before, management's **key people** have to be **Reachable, Reasonable and Responsive**.

It doesn't matter that the management company is small enough to support claims that they're "hands-on" and that your condo corporation "won't get lost in the shuffle," if you can't reach the chief-cook-and-bottle-washer when things break down, as they inevitably will. Conversely, it doesn't matter that the management company is big enough to have a wealth of resources and staff beyond count, if the Board can't reach the decision maker(s) on those inevitable occasions where this is imperative. **No** CEO/President is too big to talk to a client, I don't care who they are.

Once reached, are these people reasonable? Do they resent you for daring to question them, much less challenge their company's level of service?

If they're reachable and reasonable, do they respond constructively? Are the grievances addressed tangibly? Is the property manager given better support? Are the financial statements fixed? Does the to-do list get reduced? Is the property kept at a higher state of cleanliness/repair? Is the property manager replaced promptly, if that's what's necessary?

Resources, Expertise: Does management

- have legitimate support for "field" staff (managers, assistant managers, admin. assistants)?
- share with the Board any experience gained from managing other, similar properties?
- have a storehouse of general information that can assist every client, no matter the size, location or demographic, and is information this shared with the clients regularly (cost-savings, safety issues, etc.)

Agility, Adaptation: What's your management's preparedness on

- Reserve Fund Analysis
- new technologies (windows, floor coverings)
- new developments – energy retrofits, demographic shifts
- cost controls, made even more critical by aging buildings and aging people. This involves **far** more than bulk-buying, or supplier "rebates" (don't get me started on that one): analyzing the budget line-by-line; scrutinizing contracted maintenance (elevators, etc.); avoiding "repeat repairs" of equipment; examining utilities consumption, and on and on.

### Accounting, Finance

I'll just say this: does your management company know what "accrual accounting" is?

Site Operations: Management needs to demonstrate that they can master areas/issues such as

- Pro-activity (anticipate, don't just react)
- Appropriate preventive maintenance routine
- Knowing the correct way to deal with superintendents, cleaners, trades
- Assistance, guidance on major capital repairs
- Emergency response

## **Condominium Board Members' Responsibilities (The "Three C's")**

I've been coming down pretty hard on the condominium management industry over the years. I won't stop that, as long as it seems necessary to do so. But I also willingly acknowledge that condominium management is not the easiest of pursuits in which to be involved. One of the hurdles is dealing with Board members who are not (forgive the candor) doing themselves, their fellow Board members, their communities, or management any favours, with their antics.

I've been most fortunate in my travels, having encountered (and provided services to) many condo directors over the years who've earned my respect and admiration because of their selflessness and untiring efforts on behalf of their communities. They are an inspiration to their communities, and in return they are frequently misunderstood, often under-appreciated, and usually unpaid.

Sadly, there are the others, the ones who provide the stark contrasts: those directors who can only be described as disruptive, uncooperative, too hands-on, too hands-off, too suspicious, too hostile...the list goes on and on. But prolonging this negativity is an exercise in futility. (Think of an AGM at which the Board bemoans the "10% of the residents who cause 90% of the problems." It's a safe bet, as we all know, that those 10% are not in attendance to hear and learn. *That* kind of futility.)

Instead, let's approach this positively. Here are *The Three C's*:

- **Care**
- **Concern**
- **Co-operation.**

Specific expertise is always nice (accountants, lawyers, management industry types, engineers, etc.) but these professionals are not always available to the community. Even if they are, there's no substitute for the *Three C's*.

### **Care**

So basic it seems unnecessary to even mention it: a Board member has to care about the community in which he or she serves.

I have a scoop for you: it's not so basic. I've come across condo directors who care about everything *except* the community: the ones who try to win the most arguments, do the most micro-managing, seldom or never show up at meetings, bad-mouth their fellow Board members, interfere so constantly that management can't do the job it's paid to do, cause tension or even upheaval, take private Board business public, waste time at meetings...whew!

*Caring*, on the other hand, means: understanding and responding to the requirements of the owners/residents; taking note of the community's physical appearance and encouraging the other residents to do likewise; spending the corporation's funds wisely; partnering with management, not squabbling with them. I'm certain you could add several other valid examples, but you get the point.

### Concern

Sounds like “care,” doesn’t it? What I mean is, concern defined as *due diligence*. There are always going to be issues about which the Board has to be concerned: the cost of utilities; spotty landscaping; reserve fund adequacy; maintenance problems; adherence to budget; non-compliance by unit owners and tenants; others you can name by the dozens, but, most notably, management issues.

On that last point, my clients will recognize the seven important facets of the condominium management routine: communication, cost-savings, operations, accountability, safety, financial and admin., and resources/expertise. (I nag them *ad nauseam* about this.) The most valid application of due diligence is for the Board members to be constantly assessing management according to these seven facets. They will vary in importance from one condominium community to another, but each facet will be of at least some relevance, and that’s how you best assess your management service.

Also, how many of your fellow Board members have taken a Director’s course, such as those offered by the CCI, or attended a Condo Conference, like the National CCI/ACMO Conference? That’s what I mean by “showing some concern.” The best Board member is an educated one.

### Co-operation

Again, something that seems so basic and self-explanatory. And yet, I could tell you stories...you could tell me stories...

The fact is, a Board whose members don’t co-operate with one another may as well resign *en masse*. The inability or unwillingness to overcome differences and work together creates inertia, or worse yet, hostility. Or a lame-duck status that is unavoidably detrimental to the condominium community.

This does not mean to imply that you’ll always agree with your fellow directors. That would be a first. But as I noted above, it’s vital to overcome these differences for the greater good. And that doesn’t mean through clenched teeth. It means establishing a working relationship that accounts for, deals with, reconciles, and overcomes conflicts as a matter of routine.

I know from personal experience that some Board members can seem impossible to work with. In that case, it is mandatory that the other directors recognize the problem and actively confront it. Inaction, on the vague hope that the issues will “work themselves out,” almost never works. In fact, it can aggravate the situation because silence is frequently interpreted by the renegade director as approval.

I’ve worked with many Boards over the years. The most effective of them, by far, are those who embrace the *Three C’s*. (Of course there’s a fourth “C” – *common sense* – but you already knew that.)

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All this may seem pretty daunting. But you have my assurance that establishing and maintaining these standards will contribute positively to the relationship between the Board and management, for the good of the condominium community at large.

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