

Preface

This article is one in a series of evolving and related articles about strategic planning for bodies corporate, and the relationship between owners – committees – body corporate managers – building managers.

How does a Committee develop KPIs for the relationship with the Building Manager?

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The 6 Step Process to Developing the Best KPIs for Your Building Management Agreement

- Step 1.** *Read the caretaking agreement – this is the framework that presently binds the parties and the framework that you must work within unless both parties mutually agree to vary the contracts.*
- Step 2.** *Interpret the caretaking agreement “for the real world”.*
- Step 3.** *Review the committee’s strategic plan, and produce a subset of goals which the BM should be involved in.*
- Step 4.** *Agree the measurements that indicate the goals are being achieved*
- Step 5.** *Give them teeth*
- Step 6.** *Reduce everything to writing in one coherent document and pass a committee resolution adopting the document.*

For more efficient bodies corporate and so that we all have fewer headaches I have been advocating the evolution of the relationship between a resident unit manager or building manager (a BM) and the body corporate committee through the use of key performance indicators (KPIs).

Key Performance Indicators are a common management strategy used by people in commercial relationships. The Wikipedia definition of Key Performance Indicator (reproduced below) provides insight into why they might be useful for the Committee and BM to develop together:

Key Performance Indicator (KPI) is an industry jargon term for a type of Measure of Performance. KPIs are commonly used by an organization to evaluate its success or the success of a particular activity in which it is engaged. Sometimes success is defined in terms of making progress toward strategic goals, but often, success is simply the repeated achievement of some level of operational goal (zero defects, 10/10 customer satisfaction etc.). Accordingly, choosing the right KPIs is reliant upon having a good understanding of what is important to the organization. 'What is important' often depends on the department measuring the performance - the KPIs useful to a Finance Team will be quite different to the KPIs assigned to the sales force, for example. Because of

the need to develop a good understanding of what is important, performance indicator selection is often closely associated with the use of various techniques to assess the present state of the business, and its key activities. These assessments often lead to the identification of potential improvements; and as a consequence, performance indicators are routinely associated with 'performance improvement' initiatives. A very common method for choosing KPIs is to apply a management framework such as the Balanced scorecard.

How useful is Wikipedia? I might give up writing articles and just take up cutting and pasting great slabs of its content (with appropriate acknowledgments to respect the Wikipedia copyright of course!)

Proving that my articles are actually being read (something my wife disbelieves), people on committees and BMs have been ringing me and writing to ask – “send me the KPIs for the BM – Committee relationship and we will implement them”. Busted! I thought I could promote the use of KPIs without doing the heavy lifting, and it is heavy lifting: development of KPIs for the relationship of BM and Committee is no easy task.

I have asked around and I am yet to find a working model for BMs/Committees and KPIs. Maybe this is a hallmark that the rights and responsibilities of the parties to a caretaking agreement are out of the ordinary. Caretaking agreements for management rights in strata property are in many respects a unique beast. Here are a few of the unique items that make the implementation of KPIs more difficult than one might otherwise expect:

1. The boss is not one person – it is a committee, the make up of which may change regularly, and their experience may be limited or extensive.
2. The bosses may live on site, constantly reviewing the performance.
3. Where the bosses have their home in the body corporate then their emotional investment might be higher than for other services.
4. Regularly, the boss has not defined what they expect from the BM.
5. BM businesses are small (even the biggest ones) – it is unusual to have more than 5 staff.
6. BM operations contain duties extending 7 days per week, including after hours call outs, and the BM will invariably live on site. The wear and tear factor arising from

24-7 responsibilities should not be underestimated. It takes a unique individual to be switched on all the time.

7. Operators of management rights may not be seasoned property professionals. Also, they may not be experienced in dealing with the public.
8. Services provided by BMs may be both highly technical, yet require retail service of clients, including dealing with the public. Further, there is no educational institution in existence putting potential BMs through years of training so they have the necessary skills.
9. BM owners invariably invest high percentages of their savings into the purchase of the business, making the subject of discussing performance a highly emotional issue.

These factors should not discourage us from attempting to implement KPIs. They make the task more important. The enquiries I have received indicate there is a groundswell of support on both sides of the relationship (committee and BM). The market wants to take the committee – BM relationship to a more sophisticated level, where subjectivity is reduced to an appropriate level and where performance is measured.

The unfortunate news for the application of KPIs to caretaking contracts is that there is definitely no “one size fits all” list of KPIs that we can roll out for every body corporate. If it was that easy then everybody would have already done it. Also, this “one size fits all” or “print them off the word processor” approach is part of the reason we have inappropriate caretaking agreements for bodies corporate. Let’s not make the same mistake twice. Bodies corporate have complex needs when it comes to managing the common property. Thought is required to develop venue specific and relationship appropriate KPIs. As the Wikipedia definition provides: *choosing the right KPIs is reliant upon having a good understanding of what is important to the organization.*

The better news for implementing KPIs is that there is a simple step by step process SSKB has developed for creating your own Committee - BM KPIs.

The SSKB Step by Step Plan for Developing the KPIs for a Committee BM Relationship

Recap: Why do I advocate the use of KPIs?

Where there is disharmony between the BM and a Committee then often the disharmony has symptoms which may possibly be cured or minimised through appropriate KPIs.

Conversely, where there is a significant level of harmony between a Committee and a BM, it is often the case that the personal relationships have transcended the need to write the KPIs down – the people involved have the experience and the intuition to understand the needs of the common property and the needs of each other. But don't take this "unwritten understanding" for granted. It may evaporate. So why not take the time to reduce what everybody knows to a written document?

4 reasons KPIs are essential from a committee point of view:

1. Committees are responsible for the body corporate expenditure. Aside from sinking fund projects, the BM contract will usually be the single biggest line item in the body corporate budget. Just because it is a big number, it should not be regarded as an easy target. There will be much substance behind the number. However, because it is a big number it is appropriate results are measured.
2. In my experience adequately drafted caretaking contracts are few and far between. They just do not provide an adequate description of what it means to "keep the common property in first class order and repair". How do you write the word picture to ensure that gardens are kept to your standard, and what is the mechanism for paying appropriate remuneration for the varying tasks which are required from season to season to keep the standard?
3. Where disharmony exists the disharmony may stem from the committee believing they cannot affect the level of control they wish to have over the actions of the manager. KPIs provide a committee with a tangible measure they have appropriate control.
4. As my old mentor used to say: "Nobody buys a unit to get involved in the body corporate". It is just not an appropriate use of the valuable time of the volunteer committee members to monitor the day-to-day operations of the BM. A dash board of KPIs is what the committee needs to make sure the ship is heading in the right direction.

5 reasons KPIs are essential from a BM point of view

1. If the committee is to hold a BM accountable, then it is essential to know where they set the goal posts. Committees are made up of individuals, and individuals have opinions which vary and may conflict. Lack of consistency within the committee is problematical. The BM needs to know which opinion is “the” opinion that applies to you keeping the client satisfied.
2. In my experience adequately drafted caretaking contracts are few and far between. They just do not provide an adequate description of what it means to “keep the common property in first class order and repair”.
3. If your management rights business has staff, then they need to understand what it takes for them to do their job. You might be good at reading minds. Don’t count on the BMs staff having that same paranormal ability.
4. As a BM you cannot be everywhere, all the time. However, if your body corporate has 99 other lots in it, there are 99 bosses patrolling the common property all hours of the day and night. They will inevitably come across things that you miss, and things that have happened since last you passed by that part of the common property. You need a transparent system to demonstrate to the others that while you are not omnipresent, you have performed adequately.
5. Owners and committee members buy units to live in or as an investment. It is unreasonable to expect the committee to develop an understanding of the tasks being performed by the BM in satisfying the duties required of the BM under the caretaking agreement, especially when performance is of a technical nature.

The Explanation of the Steps to Develop Your KPIs

Understand where you are at!

Step 1. *Read the caretaking agreement – this is the framework that presently binds the parties and the framework that you must work within unless both parties mutually agree to vary the contracts.*

Caretaking agreements can generally fall into 2 broad categories, though most agreements have elements of both and are a hybrid:

Category 1: The Do

This means the BM, or staff or subcontractors paid for out of the BMs pocket, push the brooms. The BM must do the cleaning.

Category 2: The Supervise

Here the brooms are by pushed staff or contractors paid for by the body corporate. The BM is responsible to specify the job, manage and supervise these staff, and to ensure that they produce the result specified in the caretaking agreement - clean common property. However, the staff and subcontractors will be paid for directly by the body corporate.

Under both categories the BM is the arms and legs of the committee for caretaking.

Step 2. *Interpret the caretaking agreement “for the real world”.*

After reading the agreements decisions might need to be made on how those agreements should become operational. In other words: from an operational perspective what actions are indicative of the duties being satisfied?

For instance:

- If there is an obligation to keep the lift lobbies clean and the lift lobbies are carpeted, has it been decided how many times each week those lobbies should be vacuumed, as being indicative of the lift lobbies being kept clean?

- If there is an obligation to maintain the lawns and gardens, what does this mean operationally in respect of the varying seasons, times of drought, the frequency of fertilising, number of mows?

While breaking down the agreement to such an operational level is not in the pure sense a KPI, it is surely better than not being specific.

Example analysis of one duty required under a typical caretaking agreement

Check List: Standard questions to be asked when considering a duty required under a caretaking agreement	Example of the checklist considered against a common caretaking duty
What is the duty? Write it down.	Maintain the garden. Simple to say – but what does this mean in practice?
Who is to do it? The caretaker, the body corporate, third party contractors supervised by the caretaker, a combination of the above?	The caretaker has the duty to maintain the gardens, except for any particular functions where a technical skill is required, in which case a third party will be responsible.
What is the result to be achieved?	When somebody walks into the garden they feel like they have arrived at a 6 star holiday resort. How do you measure this? Your “6 star feel” might be entirely different from my “6 star feel”
How do we measure that the result is being achieved?	Did the landscape architect on completion of the job leave a specification of the gardens and lawns? How green is the lawn and the gardens? How many weeds are in the lawn and the gardens? How bushy and flowering are the plants?
How often is the duty to be performed?	40 hours per week in summer, 30 hours per week in autumn and spring, 20 hours per week in winter – spaced over the week.
When is it to be performed	During business hours Monday to Thursday
List some actions required to satisfy the duty?	Mowing – list the frequency on a month by month basis. Hedging – list the frequency of a yearly basis Fertilising – list the yearly program for lawns and various plant types Pesticides – list the yearly schedule Mulching – what is the bi-annual schedule? Weeding gardens – what is the program? Weeding lawns – what is the program? Trimming trees – what is the program? Replanting – is a regular schedule required?

<p>Are technical and / or trade skills required?</p> <p>If the body corporate is to require their common property to be kept to a commercial standard then technical skills will be required from time to time.</p>	<p>Arborist? Soil doctor? Landscaper? Cherry picker driver?</p> <p>All specialists are an extra fee paid for by the body corporate.</p> <p>Who makes the decision about “calling in a specialist”? Should this be backed by a committee resolution or is it already authorized in the contract?</p>
<p>What tools, equipment and materials are required and who provides them?</p>	<p>Tools and material required: Petrol, fertilisers, pesticides, mulch, new plants, mowers, hedge trimmers, ladders, cherry pickers, chain saw, blower vacs, safety goggles, wheelie bins, shovels.</p> <p>All out of pocket expenses are to be paid for by the body corporate.</p>
<p>Who is to pay?</p>	<p>The body corporate pays for the service as part of the standard lump sum fee paid monthly to the caretaker, except for:</p> <ul style="list-style-type: none"> • services requiring a technical skill, in which case an additional amount is paid by the body corporate to a third party contractor. • Out of pocket expenses for tools, material and equipment.
<p>How is the caretaker to report on the duty</p>	<p>Caretaker is to have a schedule of actions, listing daily, weekly, monthly, seasonally, and annually the actions to be undertaken and corresponding “ticks” in each box inserted as each action is performed, this schedule will form a record of the actions undertaken.</p>
<p>How is performance inspected by the committee</p>	<p>Half yearly committee and caretaker inspections of the garden.</p> <p>3 yearly reports from an independent landscape architect as to the health of the gardens and grounds, assessing that health against the initial brief for the landscape prepared by the original designer.</p>
<p>How are directions give by the committee</p>	<p>Verbal directions from the chair from time to time.</p> <p>Annual written appraisal and follow up meeting to discuss the appraisal.</p>

Question: Does the committee wish to go into this level of detail for every duty?

Step 3. *Review the committee's strategic plan, and produce a subset of goals which the BM should be involved in.*

The review of the committee's strategic plan is going to be extremely difficult for any body corporate that does not have a strategic plan. It is an integral step, so I encourage all committees to take the time to establish a strategic plan. See my article on the creation of strategic plans for bodies corporate for an outline of the strategic plan a body corporate.

However, for those committees that insist on skipping the step of producing a body corporate strategic plan, here is the easy way through:

I think the role of the BM, at the most macro level possible is to assist the committee to achieve 3 things:

1. Creation of a the optimum physical environment for the common property
2. Creation of the optimum social environment (through the promotion of harmony within the community and the enforcement of by-laws), and
3. Maximizing the rental return and capital value of the lots within the scheme.

Note that these are both tangible and intangible objectives. As some goals may not be mutually consistent, the trick is to balance the conflicting goals. The committee and the BM then need to agree upon the actions that indicate both the committee and BM are putting in the effort to achieve the goals outlined in the strategic plan. Note that this obligation needs to be 2 way.

Step 4. *Agree the measurements that indicate the goals are being achieved*

These are your KPIs! Congratulations.

Step 5. *Give them teeth*

Mutually agreeing to vary the caretaking agreement to give the KPIs full force and effect (with appropriate consequences where they are not met) is an essential part of the process.

“Teeth” does not of itself necessarily require parties to have rights of termination or penalties applying. The draconian approach is not necessarily the best approach. An alternative is an agreement to have additional measured inputs where results fall below the KPIs. For instance, the committee may need to increase the level of spending on materials to assist the BM produce the results in the gardens, and the BM may need to increase the level of staffing.

Giving “teeth” may require a concession. Be aware, if you are asking for one party to submit to a new level of more onerous obligations then it is appropriate for you to concede something in return.

- *Reduce everything to writing in one coherent document and pass a committee resolution adopting the document.*

Conclusion

In a future publication I will outline some ideas for the content of KPIs, which will combine all the waffle from above.

In the meantime, if you go through this process and come up with some “you beaut” KPIs that I have not already got in my list – I promise to call them after you! Who wants a star named after them or even a sporting trophy? Wouldn't you prefer to go down in history by having a management rights KPI bearing your name?