8 characteristics of a GREAT board / management company relationship

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There are seminal moments in our lives and careers. One of mine was circa 1985. I bumped into a board member of a condominium for whom my maintenance company had completed some projects. The question she asked me that lovely spring day on a bustling city sidewalk 35 years or so ago changed the way I approached business and I am certain it led to both my entry and inevitable exit from the community management business. "Tom, how come we can't find a good management company? Are there any of them out there?" My mind raced as I thought through the three they had fired, all of whom I thought were among the better companies that I had worked with as a contractor. I gave her a tactful answer, but one she did not expect to hear. More on that in a moment.

As a young entrepreneur, I had begun to immerse myself in the study of leadership. I started working with community associations a couple of years before that fateful exchange. I became fascinated by the dynamics of volunteer boards, their communities, and the managers who served them. A few short years later, in a joint venture with a management company, I entered into a contract to provide part-time,
on-site management for a small condominium.

Eventually, I left my business and dove into management full time for the next 30 years. I had the privilege of working with some great managers and boards. For much of my career, I was also the company's designated "Fixer." If it was messed up, my job was to find a way to make it work. Of course, I was not always successful, but it was the best business education I could have received.

Along the way, I saw the great, the good, the bad, and yes, the ugly. Stepping away from the management business and working with clients from the community association field in a different capacity and in different markets has reinforced for me how unique communities can be. At the same time, I see common principles, fundamentals, and practices that produce results. So…here are eight characteristics that exist in the most successful and sustainable board/management company relationships.

1. Shared Expectations:
The working relationship between a board and management company can be very dynamic and fluid. Times change, technology changes, society changes, people change, volunteers change, and properties age. These factors all may impact expectations.

An agreement for management services provides a basis for expectation and accountability. It also needs enough flexibility to address the variables inherent in the relationship. COVID has been a testament to this. Who could have anticipated the workload and process changes that the pandemic would require? Agreement on contract terms and ensuring that these are in harmony with the board's goals is crucial to a sustainable and successful relationship, which leads directly to our second characteristic.

2. Communication:
In my management days, I would receive the occasional phone call

from a board member along the lines of: "Would you be interested in sending us a proposal for management? Our company is horrible." These days, the question is: "Can you help us find a new management company?" My first answer has remained the same, "Have you spoken to company executives?" Astonishingly, 90% of the time, the answer has been no! Changing management companies is a big deal. It can take far less time and effort to repair a damaged relationship than it would to make a change. Talk about it, set clear and reasonable expectations, see if it can be fixed. If not, then it's time to move on, but not before.

Management companies can bolster the relationship by maintaining periodic executive-level contact with volunteer leaders, especially when the players change. This may be after annual meetings, changes in board liaisons, and any time there is a manager reassignment. Likewise, new boards are wise to get on the same page with the management team as soon as possible during these transitions. Don't let the relationship fall off the rails!

At their core, business relationships are human relationships. Just like in our personal lives, we get busy, make assumptions, and don't always get the message right. Communications suffer and issues fester. The electronic age makes this a bigger challenge. Consumer expectations for immediate gratification (the Amazon effect) have challenged all customer service industries. Businesses can rely so heavily on technology to gain efficiencies that they adopt a transactional mindset without realizing the negative long-term impact on the relationship.

Zoom meetings are great for efficiency, but we miss the cues that the full human interaction experience provides. Tech and society will continue to change, but some things remain the same. Community management is a relationship business. Relationships require effective communication. And it needs to go both ways.

3. Mutual Benefit:
All sustainable business relationships are mutually beneficial. A zero-sum game benefitting the client will inevitably lead to poor management performance. A company that can't make a profit will fail. Historically, of the real estate management niches (commercial, rental, and community associations), community association management is the least profitable. A review of the history of the industry and market pressures helps one to understand how we got here. The full story would be an article all by itself. The net result is that community association management as a professional field has become increasingly commoditized. Profit margins are always tight.

This can lead to the zero-sum game benefitting the company, which is likewise unsustainable. Unintentional service creep can happen slowly over time with managers and boards losing focus on contract specifications. A manager may lose focus of contract out of sheer work volume and when the board is unaware and seems happy with their performance. Regardless of intent, the reality of this situation is that the relationship is being abused and could end badly.

In the end, the old axiom is true. You get what you pay for. The logical corollary should therefore be that you should pay for what you get. Maintaining awareness of and regularly revisiting contract specifications for any adjustments to meet the needs of the community are the keys to ensuring mutual benefit.

4. Flexibility and Reasonableness: Great service companies will go above and beyond from time-to-time. Community management is such a dynamic field that a manager will inevitably see the need to do something technically outside of their scope. They want to make their clients happy and just take care of it. But there is a danger of an unintentional death spiral.

I've seen this play out many times. Management agreements typically include provisions to charge for work outside the scope of defined routine services. Many managers fear a negative reaction from clients and shrink back from noting that a requested service is a billable item.

Sometimes, the assignment is completed and that's that. Everyone is happy. But sometimes, the requests keep coming. The manager becomes overburdened. The task list gets longer and longer. The board grows increasingly dissatisfied, and the manager grows increasingly resentful. All the while, more times than not, the board has no idea that they are making unreasonable requests because the manager never said a thing about the contract terms.

When there is healthy communication about the best way to handle non-routine services, boards can make business decisions to allocate funds that allow the company to bring in the resources necessary to accomplish the task or facilitate service by an outside party. Reasonable boards understand that a set-price contract cannot be a blank check. (See Mutual Benefit and Communication)

5. Get Out of the Box:
Fundamentals and time-tested principles apply to every relationship, but every situation is unique. One of the most valuable skills board and management companies can have is the ability to see things as they are and recognize when

glue diligence ("that's the way we've always done it!") needs to be replaced by due diligence, which may involve finding a non-standard solution.

This is where my experience noted in the introduction had such a profound impact. The board member who complained about perfectly good management companies didn't have a performance problem. She had a system problem. She lived in a 27-unit condominium with a seven-person board and half a dozen or so active communities. Most unit owners were retired. I loved that community because it had such a remarkable commitment to volunteerism. If you lived there, you were on the board, a committee, or both. However, the volunteers had no context to see how much management work was being generated by all that activity. They were NEVER going to be satisfied with the level of time and attention a portfolio manager could give them under the terms and price of a standard management agreement. They needed to adjust the system, adjust expectations, or both.

Without analysis, we easily default to assuming that people stink. Just fire them and get somebody new. If you can't see whether you have a performance problem, a system problem, or some combination thereof (usually the case to some degree), you'll always be answering the wrong questions. Wise board and management companies invest the time to make the determination and have the creativity and flexibility to change the system if needed.

6. Clarity on Roles:
The board's highest and best role to benefit their communities will always be to lead. It sets the culture, goals, and standards for the community and its management. Everything a professional management company does can be grouped in one of two baskets – supervisory or advisory. Most boards have no problem rightly holding management accountable for the supervisory tasks it performs on behalf of and at the direction of the board.

Highly functioning boards allow management to assist and guide as it fulfills its role. This allows the relationship to function at its highest level – as a partnership. This can involve helping volunteer leaders to translate strategies that worked in their professional or personal lives into the context of community associations and the statutory requirements, governing documents, and best industry practices that apply.

Both parties may need to check their egos at the door: board members might have to recognize the realities of an organization slightly outside their area of expertise, while managers who may passionately recommend a particular path have to recognize that the board is the boss and responsible for the decision.

Ideally then, as a leadership body, the board sets the targets (Why, What, and When), taking into consideration feedback and recommendations offered by professional management. Leadership gives management the resources to accomplish the resultant goals and delegates the details (How) to them.

In that paradigm, management can focus on getting things done and

reporting to the board. The board can focus on gauging results instead of getting bogged down in the process. For the board to stay out of the weeds and maintain a bigger picture focus, management must demonstrate competence and proactivity, and be willing to be accountable.

That said, there may be factors that make a certain level of "co-management" ideal. Communities that are blessed with volunteers who have subject matter expertise and time may allow them to successfully achieve more without having to pay more for management. Also, small associations suffer from the inequity of scale, requiring more time and attention than their management fees can reasonably command and making the co-management model more likely.

7. Get Things Done Without Being Pennywise and Pound Foolish:
It is important to remember that a key role of a manager is to facilitate, not necessarily to do. A manager's area of expertise is the administration of the community, governance, and business aspects of community associations. As such, they may maintain professional designations such as CMCA®, AMS®, PCAM®, and LSM®. If they were also credentialed professional engineers, insurance brokers, architects, or licensed lawyers, associations would never be able to afford them. Yet, some boards expect managers to provide opinions and services outside their area of expertise, usually to save money. Wise boards understand that there are times when bringing in specialists is an investment. Wise managers, especially those with high levels of subject matter experience, know how to leverage that knowledge and put their boards in a position to make good business decisions.

Managers may feel pressure to have all the answers and assume they are expected to have all knowledge at the top of their heads. As a wise man once observed, it's perfectly acceptable to say, "I don't know," if it is followed by a comma and not a period. "Can I get back to you on that?" can be the best answer a manager can give at the moment. Wise boards allow space for a manager to provide accurate information. Wise managers don't wing it. This leads us to the final, and perhaps the most crucial characteristic of great board/management company relationships.

8. Trust and Respect:
I was thrilled to get an "Aha" moment when I was introduced to a principle that was so simple, so profound, and so applicable to community associations. The basic premise of Steven M.R. Covey's *The Speed of Trust* is this: When trust is present, things happen quickly and cost-effectively. When it is absent, everything takes longer and becomes more expensive in the long run. Trust is everything. It underpins all the other seven characteristics. Boards need to trust that their managers are advocating for them and acting in their best interest. Managers and management companies need to trust that the board is dealing fairly and reasonably with them. Trust begets respect. Both are essential to any highly-functioning relationship.

Let's Do This!
There is far too much negative media about community associations. Certainly, there are bad players out there, but I am proud to be part of a field where so many dedicated people are working to get it right. Whenever I hear a negative comment about boards, I always take the opportunity to share that my experience has been that the vast majority of volunteers I've worked with serve for all the right reasons. That is particularly impressive considering how many goofed-up situations I've been asked to jump into.

The same goes for managers and management company executives. Those that stick with the industry tend to be incredibly dedicated professionals with a servant's heart, qualities that are all too rare these days. When community volunteers and the professionals who serve them choose to fulfill their responsibilities in a collaborative way and to an elevated level, it has a positive impact on the quality of life and investment of every community member. And they put themselves in a position, not only to leave a legacy of success, but to enjoy the satisfaction of a job well done. It is always worth the effort.

ABOUT THE AUTHOR
Thomas L. Willis, PCAM is the owner of Association Bridge, LLC, dedicated to creating spaces where community association leaders and the professionals who serve them can successfully navigate the challenges they face, reach the goals they choose, find satisfaction and joy in their service, and make raving fans of association members. He can be contacted via e-mail at: tom@associationbridge.com.