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## Condo Management

# Performance Management

## How Practical and Appropriate Would This Style of Management be for a Condominium Corporation?



I will begin by describing what is meant by “performance management” as it relates to an organization’s performance. While there is also performance as it relates to how employees perform on the job, I will not include this aspect for discussion here at this time.

Performance management for an organization involves establishing various operational performance targets that are primarily derived from historical actual performance and then establishing some targeted improvements to those historical performance ratios. These targets must be measurable (i.e. quantifiable), realistic and achievable by either the employees, managers or organization that is going to be measured. The targets can be established in either financial or non-financial measurements, referred to as ‘metrics’. Examples include such metrics as average dollars per hour or dollars per piece or labour hours per piece or per pound, depending on what activities are involved in the organization. When this style of management was initially introduced in the early 1980s, mainly by large multi-national corporations, the main purpose was to identify and reduce

waste and improve overall efficiencies, all with the ultimate goal of increasing profits for the corporation. Managers were often rewarded with incentives if the targets were met or exceeded. Key Performance Indicators (known as KPI), were calculated and reported on a regular basis and compared against the established targets.

As an important contributor for achieving performance targets, these large corporations also adopted a culture of ‘management by objectives’ whereby at every level of the hierarchy, the responsible manager would establish some specific goals and objectives for the department at the start of each year and then monitor the department’s performance in an effort to achieve the overall objectives. Some of these organizations employed a large number of analysts who tabulated the performances of their various activities and kept track of the historical metrics of their programs in an effort to help them establish targets for future programs. Hotel chains have been establishing performance targets and monitoring the results in an effort to help promote their brand and maintain loyalty from their customers.

So, how practical and appropriate would this style of management be for a condominium corporation? I assume that most condominium corporations are non-profit and therefore there would be little incentive for implementing a style of managing that is geared mostly towards increasing profits for shareholders. While condominium Boards are concerned about minimizing the annual increases in the fees charged to the Owners through careful budgeting and monitoring of expenses, their prime focus is to ensure that the property is well maintained and all aspects of the operation are running smoothly. The opportunity to identify, develop and then implement measurable metrics may be quite limited.

Most typical condominium corporations operate under three levels of management, i.e. a volunteer Board of Directors, a Property Manager contracted from an independent management company and finally the Superintendent. When developing performance targets, we need to be able to identify who ultimately has the power and authority to implement strategies that may be required to achieve the established performance targets. Ultimately,

the board members, who are elected by the Owners to look after their invested asset, should be responsible for achieving any of the performance targets. However, as the board members are not actively engaged in managing the property they can perhaps delegate the responsibility to the property manager. As for the property manager, who may be employed under a multi-year contract with a fixed fee, there may not be much of an incentive to improve performance from a financial incentive perspective (unless that was specifically contained in the agreement) but rather from a goodwill point of view to secure future services with the corporation. Finally, from the Superintendent's responsibilities, much of their activities are most likely directed by the property manager and thus their hands are tied with not much authority to implement strategies on their own that would achieve many of the performance targets established by the board.

Developing performance targets that can reasonably be implemented and met for a condominium can be challenging. After all, there are very few activities that can be tracked in order to develop any measurable and controllable metrics. Starting with the Superintendent, we can look at the typical list of activities and expenditures for a condominium and the areas that are within their direct control. For example, they would have little control over the total utility expenditures. However, they may be able to reduce the consumption portion by suggesting some investment in certain energy saving products such as LED lights and sensors. Furthermore, as performance targets have to be measurable, simply saying that you want to reduce maintenance costs without assigning a measurable and achievable reduction amount from an established baseline would not be adequate. Consider that targeting a reduction in maintenance costs from the budget may not be appropriate if that reduction ultimately impacts Owners by having some much needed repairs deferred in an effort just to meet the target.

As for the property manager who may be responsible for negotiating contracts with various service organizations such as landscaping and snow removal or ma-

ior repairs, ensuring that these costs are within the approved annual budget can also be measured on a monthly basis. However, when an emergency repair or unplanned maintenance needs to be implemented, both the superintendent and often the property manager may have to seek approval from the Board. Eventually, the actual maintenance expenditures, when compared with the established target, will need to be analyzed in terms of how much was controlled by each of the parties. Therefore, the measured results won't be meaningful without excluding any emergency or unplanned expenses that were not included in the performance target but were nevertheless approved.

Activities that may be reasonable to track and measure could be, for example, the number of days an elevator is down for servicing and then comparing the actual days to an established target, or the number of days taken by a service organization to complete a repair compared with what was quoted for the job or the actual labour hours incurred by the staff in a given month as compared with the established budgeted hours (note: in this measurement, one needs to keep track of any unplanned labour hours that were not budgeted for but were subsequently approved) or how many times during the year a specific repair had to be repeated for the same problem for which the target may be set at zero.

In my brief interviews with a few individuals at various properties as to whether or not this form of performance management was being practiced and reported on, I was not surprised to learn that most did not even know what this form of managing was all about. However, one particular property management organization did confirm that some of their properties established a few performance targets for the property manager. The property management company would send out surveys to the board members and ask certain questions to which a yes or no answer was required and the results were tabulated. However, the shortcomings of this form of measuring would be that a simple yes or no does not accurately measure the degree of the issues whereby a score rating of perhaps one to five would be more informative. Nevertheless, this may be sufficient indi-

cation for the Board as to whether or not certain expectations are being met.

Of course the challenges with establishing and measuring performance of any kind depends on who will be keeping track, how often will the reporting be made, who will analyze the results and ascertain the reasons or contributing factors to any of the performance outcomes which are important so that future targets can reasonably be established. At the end of the day, one has to determine whether or not implementing this style of managing is worth the effort. Many of the organizations that initially introduced performance management have abandoned this tool as they had noted that the cost of the staff who kept up the tracking and reporting was often greater than the savings that resulted from the process. In addition, organizations noticed that employees who were being incentivised for their efforts to achieve the performance targets were actually more interested in furthering their careers and having the chance to be more creative in their approach to problem solving rather than just receiving financial compensation for meeting an artificial target. In some organizations, this culture became demoralizing for the employees who were constantly being monitored and measured.

I will conclude by saying that in my view and experience with this style of management for many years, that perhaps for a condominium corporation to develop, implement and track various metrics and targets of performance to the level and complexity that was practiced by profit driven organizations may not be very practical. Nevertheless, a few other targets for performance that could be considered, in addition to the ones described earlier, could include for example establishing a percentage reduction in cubic meters of gas used each month; setting a specified reduction to in-house labour costs if contracting out some tasks would result in lower maintenance costs; or monitoring the number of complaints received from Owners during a given period and then setting a target reduction by resolving the root causes of the complaints. Finally, in an effort to communicate some of the achieved performances, a report to the Owners can be developed and presented at the annual general meeting. **CV**