

9 TIPS



**TO MAKE MORE
MONEY IN YOUR
MANAGEMENT
BUSINESS**

Community
 **Financials**

www.communityfinancials.com

YOU CAN MAKE

A GOOD LIVING

in property management or you can “own a job” and just have a more stressful where you wear all the hats. There are some key areas to focus on to increase how much you earn at the end of the year. I built a 41 person management company over 16 years starting as the only property manager, assistant manager, marketing & sales person and systems person. From this experience I have distilled 8 tips that helped my success and have outlined them below.

Keep up with the workload

In a 2013 survey of managers by CAI – 62% said their own responsibilities have gotten much more demanding in recent years. Whether the increased workload is from new regulations or from a greater load of emails, a lot of managers struggle to stay above water.

One helpful item is to batch when you respond to emails – say check early in the morning for emergencies and then say 4pm. This leaves the middle of the day to make progress on your client’s to do list. You can also hire an assistant or other support staff as you grow and segregate work items for these people to handle so you don’t have to.

Still another technique is to “outsource” tasks like hiring an answering service to take calls to improve communication if you are not ready to hire someone. Another area you can look at is getting rid of the accounting functions altogether and having a specialist subcontractor do it for you.



Don't work on low value tasks

One technique is to create a list of tasks that you do in your business. Put what it would cost you to pay for those items for someone else to perform them – what hourly wage. Then focus on the ones cost the most and stop doing the items that pay the least. You can also do this by looking at what you charge hourly for various extra services and focus on doing the ones that pay the most. From this exercise you can create a “stop doing list”. A “stop doing list” will make you more money than a “to do list”.

For example some managers do all collections for their communities, some do all AP for their communities. This work may not be as valuable as client interactions or managing capital improvement projects meeting with boards at the property.

Work on what will make get you results and make progress on your business goals: improving time management, customer communication and your sales process. In the book “The E-Myth” the author and business coach Michael Gerber’s main point is to work on your business not in your business.

Redeploy yourself and personnel to higher value tasks like better customer communication and growing your business.

Focus on Your Strengths

Do the things that you know best and excel at. In the book “Now Discover Your Strengths” By Marcus Buckingham, by studying thousands of people and they concluded don’t waste time improving what you are weak as it will lead to mediocrity. Instead do what you are naturally talented at and get even better at it. Your performance and your businesses will improve dramatically.

For the tasks you are not good at or don’t like hire someone to do them or subcontract them out.

The biggest benefit of this technique is it will make you happier to get up and go to work. The second benefit is your clients will notice.

Don’t Lose Clients

Warren Buffett’s #1 investing rule is don’t lose money. The same goes for your business don’t lose clients that pay you money. Why do customers terminate business in the community association management industry? Managers lose business by being unresponsive, having poor communication, not getting thru the “to do list” (aka not being pro-active) and not getting financial reports out on time.

All these service “sins” erode client trust. When trust is gone then people make a change. Work on your business and fix the areas where you may be losing trust.

Add the Right New Clients

When I started growing my management business I took any client that I could get. As time went on though I could be pickier and only give proposals to the “right kind of business”. What is the “right kind of business”? Of course larger associations that pay more are a good start. Smaller associations pay little and use almost the same amount of time as a larger property. The same amount of time at meetings, about the same amount of time to do an inspection, about the same amount of time collecting bids for services. So in order to

maximize your earnings you need to maximize what your portfolio or the amount of money one of your property manager's portfolio's yields.

Remember there is a downside to taking on smaller properties. Overtime you will become super busy and not able to pitch new business or add a new client. This opportunity cost will keep your business capped at what it can earn.

People

In business and in a service business especially you are your people. You are selling people's time, yours and other employees, to work on behalf of clients. I suggest hiring people whose heart is in the right place – meaning they live to help people. The problem is it is getting harder to find good people, this is especially true during times of low unemployment. If you want to grow your business past a certain size you will need to have other people do some of the tasks.

If you don't want to hire, train and manage more people in addition to managing properties you can sub out some of the work, like the financial tasks, and let them hire, train and manage people.

I would say the best way to spend money is on customer support people. This will relieve some of the most common issues of why clients lose trust and leave – unresponsive service. Hiring people can be learned and if you need to hire staff I recommend a great book that will teach you: "Who" by Geoff Smart & Randy Street.

Increase Cash Flow by Reducing Costs

The main cost of a service business is payroll. If you are trying to provide good service and take the leap to hire someone to help do some of the work it hits your pocket for a while. Do you feel like you are bringing in business just to pay for staff as you grow? A person costs more on a monthly basis than you bring in with 1 or 2 or 3 new clients. My wife reminded me that earlier in my business at the beginning of each year I was optimistic on our prospects for growth and more income but at the end of the year the money was not there. Growth eats cash.

The Institute of Real Estate Management (IREM) provides a report on management company costs says 21% of the expenses go to clerical and accounting personnel.

Robert Seibel, President of Seibel & Katz CPA in Cincinnati says: In order to compete with larger firms, smaller real estate development and property management firms often feel a great deal of pressure to offer their clients a more complete management solution. However, maintaining a modest size in house accounting department generally costs a minimum of \$357,750.

If you can save some portion of that expense you will significantly increase your cash flow. One way to do this is to use a sub-contracted accounting service to do the work. The main

benefit is that you only pay for what you use. If you lose a client you lose the corresponding expense if you gain a client you only add an incremental expense. You can use this extra money to improve your business, save money for unexpected expenses or pay yourself more.

Systems & Processes

As you add more clients at some point you will start to have problems and the problems are a sign that you are outgrowing the way you have done the work until now. The systems you use may start off as spreadsheets and paper files. Then you may use Quickbooks to do the accounting but it doesn't provide the best way to track information for unit owners like industry specific software.

If you want to grow past being a solo manager or you want to take your company to the next level you will have to go over the hurdle of improving your systems. You may not have the time or interest in becoming a systems expert to investigate and integrate systems – this took up a significant amount of my time and money when growing my business.

You can jump over the systems hurdle without being a systems nerd by using a service that provides the best systems for you. The systems work and you need some training. The benefits of going from old system to a new system that has all latest technology is: 1) it allows for growth, 2) it will streamline your business and free up time, 3) the new tools will make you more competitive with other firms allowing you to win more business and make more money and 4) your clients will be happier so you won't deal with complaints, won't risk losing them and will get more referral business.

Strategy

What are your hopes and dreams for your business? Are you looking to reduce your workload because you are getting closer to retirement? If you are a single manager where do you max out what you make on how much you can handle yourself? Are you looking to grow your income? If so how big do you want to get? Do you want to hit a certain amount of revenue, # of doors, # of properties – most people won't judge success by the # of employees they have. We really know what's most important is how much profit you make. if you want to grow but don't want the potential headaches and expense of hiring people then you have to come up with possible solutions. You can hit your profit goals if you get creative.

What types of clients do you want to handle? For my business we got turned down for high rise accounts until we got one and then we could get more and they paid more. What is your focus is it HOAs, Townhomes, High Rise properties? Maybe if you carve out a niche you can become known as a specialist in that area and get more referrals.

What size clients do you want? I would not provide service for properties under 50 units. One competitor would not take on new business under 100 units. I later changed this

from units to management fee per month. If a manager could only manage 10 properties effectively and wanted to earn \$100,000 and they received approximately 35% of the management fee then the average monthly fee for all the properties in their portfolio would have to be \$2,300/ month. This is a way you can attract the best managers to join your business as well – you can afford to pay a manager what they deserve.

What geography do you want to cover? I couldn't service clients more than 45 minutes' drive away and with traffic that could double so for round trip it could be 3 hours! That is not good use of my time. Plus if can't service a client properly I get complaints that eat up my precious time plus I risk ruining my reputation and decreasing referrals.

What is your online review strategy? That's right how to you manage when a unit owner gives you a poor rating on websites like Yelp or Google? You need to periodically search for what is being posted about your business online. If you receive a complaint the best practice is to provide a professional response to each one. If the same issue keeps coming up listen to it and fix what's not working in your business. This is a critical strategy this day and age. If you don't manage your online reputation you'll be left wondering why the phone stopped ringing with calls from new prospects.

Conclusion

Growing a business is exciting, challenging, frustrating and can be rewarding. You don't have to work at it alone. Books are great mentors. Besides the books already mentioned a few more that I recommend are: "The Rockefeller Habits of Success" by Verne Harnish and "Traction" by Gino Wickman

To learn more about how **Community Financials** can help your business thrive schedule a consultation.

