

Innovative Strata Management

By Gary Bugden*

Historically, the words ‘innovation’ and ‘strata management’ have not sat very well together; but history is not always an indicator of the future.

I was recently in my basement rummaging through our family history box for material relevant to an impending wedding anniversary of some importance. I was surprised to find a 1974 brochure for Residential Unit Management (a company started in Sydney by my mother and I back in 1973). The brochure listed the strata management services provided for an annual fee of \$52 per unit per year, plus the additional charges for out-of-scope work. The division of work was much the same as is offered today by strata managers.

Little has changed

As regards fees and services, allowing for inflation, not much has changed for the better in the past 40 years (\$52 then equates to \$430 today). Sadly, the same can be said for the way strata management is practiced today by many (although not all) management companies. Some managers still see themselves as secretaries and book-keepers, which fits the profile of the 1970’s. They deny the relevance of asset management, community building and diversified services and prefer to “keep to the knitting”.

That mindset does not sit well with innovation, particularly if we look at it in the modern context. Wikipedia (today’s authority on everything) defines innovation as *“the creation of better or more effective products, processes, services, technologies or ideas that are accepted by markets, governments and society”*.

Of course, innovation is not easy in any sector of business. It requires time and resources and (because it depends heavily on knowledge and experience) it demands the undivided attention of the organization’s most talented people. The capital investment involved often fails to produce the desired commercial outcomes, thus making it a risky undertaking.

While the emphasis in the above definition is on “better or more effective”, successful innovation has another component – it must provide a positive outcome to the business that sponsors it. Many executives pursue innovation without proper regard to the outcomes. Something that is better or more effective does not necessarily improve the business. For example, doubling the staff on reception may improve the customer service but at the same time decrease the profits.

Types of innovation

In the strata management business innovation can be strategically or operationally focused. It is always directed at improving ones business or service offering, rather than developing a business to business (B to B) product.

Examples of strategically focused innovations are:

- Client communication and education programs
- Driving clients to serve themselves via real time web portals as an alternative to “face to face” service
- Devising ways to tap the self-management segment of the market

- Expanding service offerings (e.g. asset management, building maintenance, building specific or generic concierge services and project management services for major undertakings)
- Specialization, such as a 5 star management package priced accordingly.

Examples of operationally focused innovations are:

- Replacing paper mail with electronic communications (e.g. E-mail, SMS and web links)
- Streamlining internal labour intensive and time consuming work-flow processes
- Geographically centralizing the customer service centre
- Departmentalized service delivery
- Increasing competitiveness by outsourcing tasks other than core competencies
- Introducing a flexible working environment for staff (using such things as part-time work, job-sharing and work from home) – many of which can significantly improve productivity
- Using Voice Over IP instead of PABX telephone systems
- Becoming quality certified
- Using an intranet to enhance internal communications, training and standardization throughout the organization
- Introducing the Balanced Score Card approach to performance management
- Using “job tracking” technology so owners and tenants can determine the status of their maintenance requests on-line.

Some strata management companies will already have tried some of those initiatives, with varying degrees of success. Others may be considering them as I write. And yet the thinking of others may be way ahead of the game. The most important thing is for the industry as a whole to recognize that there is potential for innovation in strata management and now is time to embrace it.

Importance of R&D

When considering innovating, remember that Research and Development can be an important factor. If a company is looking to improve its revenue model, R&D can help determine the various types of work undertaken and the costs of undertaking them as an indicator of where revenues need to be focused. It can also provide a range of revenue models for consideration. Similarly, if a company wants to use technology to improve efficiency and reduce costs, a detailed study of the various operational areas of the business will quickly determine the priorities.

Technology itself is an important factor in innovation for business. Many business innovations have been achieved through the use of technology and given the labour intensive and repetitive nature of many strata management tasks, technology is a logical tool of the innovator. Indeed, if you believe a Study undertaken by Dr. Will Venters and Dr. Edgar Whitley from the London School of Economics and reported in the October 2011 edition of Forbes Magazine “*cloud computing now makes it easier (and cheaper) to innovate*”.

Finally, a cost sensitive and hyper-competitive market combined with conservative providers is a great incubator for innovation. If you agree that those are the features of the strata management market today, then the time is right for management companies to start innovating. Now is the time to lift the game.

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