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QUARTERLY REPORT

BUILDING BETTER COMMUNITIES

Finding a Good Service Provider and Selecting Wisely

*At a conference session entitled “What Condos Spend Money On and Why,” the property management company perspective was provided by **Michael LePage** of **Maple Ridge Property Management**.*

I HAVE BEEN ASKED to speak to you today on how to find good service providers and the advantages and disadvantages of payroll versus contract services. Finding good service providers is half the battle and when you do, you want to manage the relationship to keep them.

So here lies the challenge – how to choose the trade to appoint? We are solicited by thousands of trades each year and how do we choose who to refer to the condominium directors? How is one trade any better than another and what are the guiding principles of what makes a trade a good one? Is the governing principle price? Or is it performance?

I believe that trade selection is in many ways a process of elimination. You establish criteria and test each company against the standards you have established.

First, trades must be qualified – do they have proper licenses, Worker’s Compensation coverage and liability insurance, and are the documentation and certificates for each readily available? If not, your interest in the firm should end.

Once you are satisfied that the appropriate coverage and licenses exist, what experience do they have in performing the task at hand? Where can we see work they have done of a similar magnitude to ensure that they are competent to perform the task you may ask them to tender on?

Take a look at those locations where they have done work and speak to the people who live there.

References are important. However, in my 25 years in this industry, I have yet to research a firm that provides bad references. Research the firm’s history and understanding of the condominium industry. They may have done the work before, but did they actually do it in a condominium where they deal with boundaries and the intricacies of the condominium world? This is not an essential evaluation, but when all other factors are even this consideration should have some weight.

What is the firm’s tenure in the industry? This is somewhat of an intangible. Firms that are well-established often have a good reputation, one that they have carefully crafted and safeguarded over the years. Firms that are newer are trying to create a reputation and therefore usually need to be more aggressive on price and, frankly, we should somewhat expect this.

A good rule of thumb when considering any particular trade is that they must have been in business longer than the warranty of the work they are bidding on. Here today, gone before the first warranty call, will only cast a negative shadow on you and your management company. Yes, you saved a few dollars at the onset but now not only do you potentially have the cost of remedying the warrantable concern, you may also have to consider litigation should they fail to step up.

At this point you have solicited for comparable quotes, eliminated the firms without comparable coverage, eliminated

some through independent industry references, and further eliminated on the basis of tenure. Availability and price now enter the equation. Are the remaining firms available to do the work in the prescribed timelines and lastly at what cost?

When all other factors are satisfied, selection is then and only then based on cost, which is the simplest basis for selection. Note that cost is the last criteria mentioned. To quote an old saying, “the quality of the work is long remembered after the price is forgotten.”

Cost or price does not mean that the lowest tender wins. If a price is suspiciously lower than others it needs to be scrutinized. Dig deeper and find out why that is the case. If there is comfort in your understanding of it, make a decision and proceed. If you are not comfortable with your findings, move to another bidder.

It is difficult to maintain a long-term, regular service contract relationship with a firm that has been selected solely on the basis of price. If a firm is aggressive on price, chances are it will seek other opportunities using the same strategy, price as an entry factor. Inevitably they will be successful and the increased workload will ultimately affect the service you are now getting. Therefore, from the onset, be aware you are capitalizing on an opportunity that will have a limited life span and that will hopefully work in the short term at a minimum.

Issuing clear work orders/contracts or RFPs is essential to ensure that there is a level playing field and that everyone is quoting on identical services with identical stipulations. In preparing an RFP stay within your knowledge base. If you are going into a complex undertaking that you are unfamiliar with, ask a colleague or industry professional to assist and mentor you. Chances are an RFP is on file and with minor massaging it can meet your needs.

If the situation is even more complex, an engineer will bring a depth of knowledge and insight that will be of great value in the tender process and teach you, increasing your knowledge in the selected field and allowing you to make a decision with confidence. The selection of an engineer is not unlike the selection of a trade; the processes are similar if not identical.

However, with any trade and/or professional services comes the intangible that is also a part of the selection of property managers – FIT. Fit is difficult to describe in words, yet we all know what it is and, first and foremost, it is an essential ingredient in all relationships – it must be there. The fit must be one that provides a level of comfort, allowing you to call and interact without hesitation and allowing you to request further clarification or explanation without any hesitation whatsoever.

Continuing with fit, of great importance is your assessment of the board of directors/property manager/trade relationship. In my opinion this is not in any way a master/servant relationship. Rather this is a collective group working in harmony to service the needs of the residents of the building. The perspective should always be that the trade is not working for you or the board, but rather you are all working together for the owners. This perspective is of great importance, and the manager is the leader in forging this team approach.

In specifying the work to be done, if you're not calling upon the services of an engineer, first you must fully understand what the owners want and confirm with the directors your understanding during their review and approval of the RFP. Once finalized, release the RFP to those trades you have pre-qualified, request a response by a specific timeline and begin selection for the board's approval.

However, we must ensure that the scope or perception of what is to be done is in line with the end result vision. Quite frankly, ask yourself or better yet ask the trade, is it achievable within the established parameters? If it is not, we start a downward spiral that will only pick up speed in a negative direction as time passes. Fix it from the start.

This is most evident in contracting monthly services, such as cleaning, security and/or landscaping. Within these industries there are established wage standards. Which means that the varia-

tion of pay between comparable firms is really not that large. Each industry has a degree of common ground and congruency with respect to remuneration or hourly rates. What will come into play is the volume of work assigned, or the number of hours allotted for each task, and the support and resources that are also available. Price variance due to pay variance will not be dramatic. Where the variance is most evident is in the individual skill and diligence of the assigned trade representative.

And this is important, quite often we find that when searching for savings we may be initially successful, however, this may come at the expense of the scope of the work assigned or the quality of work performed, or both.

You can contract for various services or provide them with in-house employees. Also what depth of services are best to contract – all inclusive or service contracts? This can cross the gamut of elevator, mechanical, housekeeping, landscaping, security and even small repairs.

When contemplating in-house versus contracted services we must weigh the pros and cons of each. On the pro side we have:

Greater control – we hire them and we direct them. We select every member of the work force.

Savings – usually savings can be achieved by doing almost anything with an in-house labour force merely by the fact that there are no layers between the worker and the work.

Scheduling – an off-shoot advantage of greater control is that you can pretty much dictate how the efforts in question will impact your community. The timing and frequency of each task is at your discretion.

Continuity – employees become more familiar with the tasks at hand and hopefully more efficient at completing them.

Level of performance – employees generally take pride in their work and the fact that they are an employee of the corporation should result in dedication.

On the negative side we almost have a direct flip to items previously mentioned.

Greater control – increased accountability. They work with you; you are accountable for their attendance, performance and completion of duties. There is limited recourse.

Savings – although monetary savings should be achieved, quite often there is

a loss of site management efficiency because now, in addition to managing the building, you are also managing the people. Whereas a contractor has its own supervisory personnel, often costs are not recognized with respect to the labour associated with supervision, payroll and staff recruiting and review. Costs too are not a direct cross reference to hourly rates and compensation, benefits, and the time it takes to implement and administer these needs. Tools, equipment and training are but a few other items we need to keep in mind. Many of these costs are intangible, however, they are real and extremely expensive in a non-monetary way.

Scheduling – a great control that is very attractive and desirable. However, we are vulnerable to absenteeism and the ramifications thereof. Usually with in-house scenarios, staff depth is kept at a minimum and often the resources are not there for complex tasks – necessitating a third party relationship of some sort.

Continuity – a great thing with a good employee. However, if the employee for whatever reason is not panning-out, a call to the supplier or trade is no longer an option. You must address, reprimand, or even dismiss the individual and then address severance issues.

Another big issue is they are now an employee of the corporation and subject to coverage under Workers' Compensation, plus insurance, health and safety regulations, and could end up being a burden on the corporation for years to come as a result of a claim. Administering these accounts requires more work.

If there are equipment failures, you may be thinking the reserve fund is in place for replacement if needed. In all honesty this makes me cringe. Premature expenses allocated to the reserve fund have such a compounding negative effect that they should be avoided at all costs. So please don't think this way. The reserve fund is not, nor should ever be, the back up for service gambles.

In closing it is very important that we select or eliminate our trades wisely. It is also important that we clearly identify our desired service levels and have a realistic understanding as to their costs. Finding a good service provider is half the battle and when you do, you want to manage the relationship to keep them – in the end, it is that simple. □