

the  
executive  
corner

# Not all Communities Are Created Equal

*Profits, not the number  
of communities under  
management, are the  
gauge of success.*

Far too many community management owners and executives gauge success based on the number of communities under management, then simply strive to survive, having enough money at the end of the month to pay all the bills. To grow and thrive, our industry's way of thinking about and approaching the way we do business must change. Profitability is the true gauge of success.



Our membership benchmarking found typical profits for community management companies to be:

- Average: 8 to 10%
- Well-Performing: 20 to 25%
- Best: 45%+

Communities under management with healthy profits can reinvest into their companies to improve operations, rev up business development and bonus high performing team members.

## Not All Communities Are Created Equal

An important driver of overall profitability is your profitability per community. While there is no single exact measurement tool, at CAM Leadership Institute, we have several tools that yield good estimations to provide enough data to make the strategic decisions needed to improve overall profitability. One of the first tools we empower our members with is called the Total Value of Relationship tool.

This tool takes the total revenue that you generate for each of your communities (base management fee plus Schedule A plus any other ancillary revenue you receive for each community), adds all the revenue created from all communities, and then divides the list into 25% revenue segments.

This way, you can see which communities are generating 25% of your revenue. Many owners are shocked to see how their communities lay out into the different quartiles.

## Total Value of Relationship Tool Insights

### HOW MUCH TO CARE WHEN A COMMUNITY IS CAUSING PROBLEMS

There is not enough time in the day to address all the issues that arise within a management company. High performing owners and executives know how to manage their energy. I know owners that when an issue arises, they look at this sheet that ranks all the communities they manage. They look at which quarter the community falls and all the ancillary revenue opportunities outside of the base management fee before deciding how much to care about the problem that has arisen.

### SOMETIMES YOU CAN INCREASE PROFITABILITY WHEN YOU FIRE A CLIENT

We suggest companies pay close attention to the low revenue communities in the bottom quarter. If any of these communities becomes a problem for your manager, consider raising your prices on the community. They will either leave and have a low impact on your revenue or they will accept the higher price and increase your profitability.

### STAFFING SHORTAGES

If you are bringing on new communities and do not have enough managers, you can become more profitable by dropping some of the lower revenue, lower quarter, communities and replacing them with higher revenue, higher quarter, communities. You can do this instead of hiring another manager and drive up your profitability.

### MANAGER PORTFOLIO CREATION

We had one owner that, when he completed this tool, realized he had his most experienced and expensive manager all on the bottom 25% of communities. When he added up the monthly revenue for those communities and compared it to the manager's salary, he realized he was losing money on her portfolio! This led to him to completely reworking his manager's portfolios to drive up the profitability of his company.

### BRINGING ON NEW COMMUNITIES

Whenever you are bringing on new communities, you want to make sure it is always raising the bar of revenue and profitability of your entire portfolio. This tool can be useful to place a prospect in and see what impact it will have on your overall revenue.

*Continue to remember that not all communities are created equal. You must assess each community's revenue and drain on your company to see its overall impact on your profitability.*

*Wouldn't it be nice to manage less communities and have the same or higher profit?*

## ABOUT THE EXECUTIVE CORNER

*This is a new column for Vision Magazine that will be included in every issue. It is written by staff at CAM Leadership Institute, an organization that focuses on community management company owner and executive leadership development. CAM Leadership Institute hosts mastermind groups attended by almost 100 management companies from across the country every month, which gives them unique insight into the industry. In each edition, the staff at CAM Leadership Institute will provide a column specific to management company owners and executive leadership teams.*



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