

Three Important Steps for Building Property Management Compensation Plans[®] **by Ernest F. Oriente, *The Coach***

During the course of your professional career as a property management executive, building new compensation plans will be one of the most important projects you ever undertake. In fact, this project has the potential to be an explosive issue for your team of SuperStars and must be designed with great care. The information in this article will outline three important steps for building powerful compensation plans and will share many secrets for your success. When a compensation plan is built right, your team will love you and your company success will soar!

Gathering Information and Setting Objectives

Start by evaluating your current compensation plans to see how closely it aligns with the critical success factors for your property management company and your historical financial performance. Next, review what percentage of each person's compensation is salary versus commission/bonus and compare this to competitive positions within the geographical locations you manage. Lastly, develop specific compensation objectives, such as: performance to budget or goals, occupancy for each apartment community, fiscal performance of this quarter compared to the same quarter last year, resident retention and/or resident satisfaction surveys.

Tip From The Coach: Remember, each person on your property management team must see a direct connection between their efforts and their compensation plan. In addition, how you define the objectives for your compensation plans will be a direct reflection of the exact individual or team performance you will receive.

Developing Performance Measurements and Plan Options

Once you have defined your compensation objectives, the next step is to determine how you will measure performance. For instance, will your new compensation plan reward individual performance, team performance or a blend of both? In addition, your compensation plans should also consider how often commissions/bonuses will be paid and what will be the impact if an individual or your team does not meet or exceed their compensation objectives. Next, design several compensation models on a spreadsheet so you can see how annual compensation will vary as you change or modify the performance/pay variables. In addition, calculate the range of income your SuperStars will be able to earn over the next 12 to 60 months. Lastly, test and run your historical results through your new compensation plans to verify performance levels and income expectations.

Tip From The Coach: Some of our property management clients like to confidentially share preliminary compensation models with just a few SuperStars in their company to gather some additional insight before finalizing their new compensation plans. In addition, some of our clients will grandfather the compensation for their current team but all newly hired team members will be paid based on the new compensation plan. Remember, there is no such thing as a perfect compensation plan, but there is a compensation plan that is well-suited for your property management company. Lastly, just because a compensation plan has worked in the past, does not mean it will work in the future as the property management profession is changing and evolving rapidly.

Selecting and Evaluating your Options

Once you have tested your compensation plans for accuracy and performance expectations, select the plan that most closely aligns with your company objectives. Sometimes it can be helpful at this point to have another set of eyes, outside of your property management company, review your new compensation plan to ensure it's clear and reasonable. Next, consult with your internal resources to be certain they can design and produce the information required by your new compensation plan. In addition, your team will need a written description of their new compensation plans and a financial spreadsheet detailing exactly how this compensation will impact them over the next 12 and 24 months.

Tip From The Coach: Once you have presented your new compensation plan to your property management team, schedule a monthly appointment over the next six months to vigorously review and

evaluate the results. In addition, ask for feedback on your new compensation plan and swiftly address any problems you or your teams discover.

*Want to hear more about this important topic or ask some additional questions about how to build powerful compensation plans? **Send an E-mail to ernest@powerhour.com and The Coach will E-mail you a free TeleForum invitation.***

Ernest F. Oriente, The Coach, is the founder of PowerHour® a professional business coaching/recruiting service and the author of SmartMatch Alliances™. He has spent 20,760 hours [since 1988] delivering customized training, by telephone, in leadership, tradition/Internet marketing and sales for property management companies, apartment locator/corporate housing services and multi-housing sales/service companies worldwide. PowerHour® specializes in global distance learning by telephone, using their state-of-the-art conference call system for interactive and dynamic TeleForums. Twice-monthly TeleForums link 10-100 executives/professionals/individuals who are geographically dispersed, in a time efficient and profitable format. PowerHour® is based in Olympic-town...Park City, Utah, at 435-615-8486, by E-mail ernest@powerhour.com or visit their TeleForum website: www.powerhour.com. To receive a FREE property management success newsletter, with subscribers throughout North America, send an E-mail to: ernest@powerhour.com. Recent PowerHour® articles have appeared in 5500+ business/trade publications and websites.