

## The Art of War..... and how to avoid one.

*"Democracy is the worst form of government, except for all the others."*

Winston Churchill, House of Commons 1947

I awake this morning with a powerful feeling of euphoria. The sun is shining, the birds are singing, the managing director is in good spirits and a pro-business, pro-economy prime minister has just won the unwinnable election. Of course, the press and other commentators are now trying to determine how the alternate government and the polls got it so wrong.

Turns out people don't always say what they think. Shocking I know but there you have it.

Here's a theory. The average punter has pretty simple expectations of government. Provide economic conditions in which reliable employment can be obtained, support a safe, secure and tolerant social context, protect the assets and aspirations of the workers, provide a safety net for those doing it tough and discourage pollution and social misconduct. Outside of these core tenets I suspect the families in the 'burbs have little time for or interest in the fringe issues that seem to dominate public debate.

Among certain sectors of our community it has become unfashionable to hold what we could call traditional family and social values with the result being that many voters simply keep their views to themselves. Certainly no one wants to attract the scorn and anger of the virtue signallers so better to simply keep quiet and express an opinion within the safety and anonymity of the ballot booth.

The lesson here it seems is that in order to solicit honest feedback from someone you must first make it ok for them to hold that opinion, without judgement. Which, in my usual round about meandering way leads us to body corporates and resident managers. I've just participated in a couple of ARAMA panel discussions and without doubt the number one topic is effective communication and BC relationships. The two are inextricably intertwined (I finally get to use those two words together in a non-offensive context) and there's no doubt that a breakdown in communication will not end well.

How often do we hear a manager report that the vote for a top up was in the bag only to be lost at general meeting? The polls said a fait accompli but apparently the owners said one thing but did something different. Clearly something got lost in translation. The lessons learned in the federal poll have clear parallels with a community title scheme. I've always thought these schemes are almost like a little country with all the positives and challenges much larger communities face. Just as there are disrupters and fringe elements in our society, the same can sometimes be seen in residential strata living. The challenge is to find ways to accommodate the views of all owners while not allowing the vocal minority to rule the day.

If you are a resident manager, I am guessing you are with me so far. But a question is running through your mind..... this is all well and good Mike but we have a certified crazy person on our committee and we just can't seem to get them to see common sense. In my view the first step is to engage with that person and try to find some sort of common ground. This will require a conciliatory approach that many will find challenging and maybe a bit demeaning. The point is that while you may well be completely right and the owner completely wrong it just doesn't matter. If you want their support and vote some sort of rapport is essential. If there are problems I am a big believer in acknowledging that the relationship is on the rocks and that you sincerely want to fix it.



Mike Phipps. 0448 813 090  
mike@mikehippsfinance.com.au

Paul Grant. 0448 417 754  
paul@mikehippsfinance.com.au

Cameron Wicking. 0477 776 859  
cameron@mikehippsfinance.com.au

Head Office  
4/31 Mary Street  
NOOSAVILLE QLD 4566

Office. 07 5470 2194  
Fax. 07 5455 6626

www.mikehippsfinance.com.au

MIKE PHIPPS FINANCE ACL (364 314)

fresh ideas...





*"I know we haven't always got on but for the benefit and good health of our building lets find a way to work together" is a good start.*

Ok, so you've tried the rapport build approach, got a very effective monthly newsletter, you call your owners regularly to ensure they know you and remember what an incredible manager you are, you send regular updates about the local property market and trends. You've built the sort of manager / owner's relationship that allows opinions to be shared without fear or favour and still you have an owner working against you. Time to divide and conquer.

I am guessing that the owner in question calls constantly, sends emails at all hours of the day and night, conspires against you at every turn and generally distracts you from your business. If I was an investor in your building and my levies were paying your salary, I'd be less than impressed if one of my fellow owners was distracting you and compromising your ability to do your job. More than that I would want to know, and I suspect so would other owners. If that meant I needed to nominate for committee then so be it.

The message here for me is pretty simple. Once all conciliatory avenues for managing a nightmare owner have failed it's time to rally the troops and sideline the problem. Tell your investors what a negative impact their fellow owner is having on your capacity to look after them and ask for support. Don't use text, email, Facebook, Instagram or whatever, it's got to be face to face or a phone call. This is called lobbying and it's a practiced art. You will laugh but try role playing what you intend to say with your lawyer, accountant or significant other and get the message down pat. Ask your role play partner to challenge you and be ready to respond. You can stuff up as many times as you like in rehearsals, but you've got to be right on the night.

Now here's the really hard bit. Throughout this process you've got to try and maintain some sort of productive relationship with your problem child. The strategy will be very much dependent on the emotional maturity of all parties. Calling it as you see it would obviously make a lot of sense but might need to be tempered to some degree.

*Bob, I am very concerned that you worry too much about how we are managing the property. This can't be good for either of us and I think it's a having a detrimental impact on our ability to provide the best possible service for all the owners. We have certainly taken on board your concerns, but we think it would be best for the property as a whole if we encourage some new blood on to the committee. I hope we can have a workable relationship going forward and I would value your feedback from time to time.*

I am the first to admit it won't work every time because some managers don't have the necessary communication skills and some owners are unreasonable, but you've got to try. There's a great quote in Sun Tzu's famous Chinese military treatise The Art of War : keep your friends close and your enemies closer.

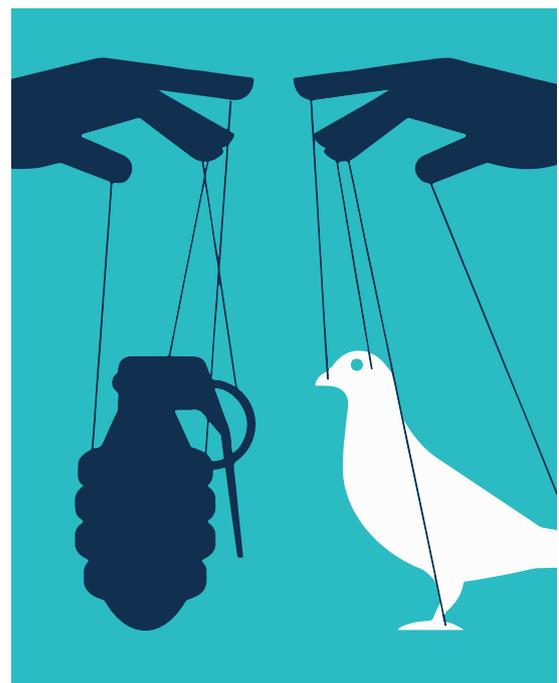
I'll leave you with what used to be a favourite of mine from Winston.

*"The best argument against democracy is a five-minute conversation with the average voter."*

Turns out the average voter is a whole lot smarter than I thought.

Mike Phipps F Fin  
Director | Phippsfin Pty Ltd  
ACN 139 124 673

Australian Credit Licence 364314



Mike Phipps. **0448 813 090**

mike@mikehippsfinance.com.au

Paul Grant. **0448 417 754**

paul@mikehippsfinance.com.au

Cameron Wicking. **0477 776 859**

cameron@mikehippsfinance.com.au

Head Office

4/31 Mary Street  
NOOSAVILLE QLD 4566

Office. 07 5470 2194

Fax. 07 5455 6626

www.mikehippsfinance.com.au

MIKE PHIPPS FINANCE ACL (364 314)



Fresh  
Finance



Disclaimer:

Mike Phipps Finance is not a financial planner or investment advisor. The contents of this editorial reflect broad observations of transactions for which the writer has been mandated to negotiate finance. Potential investors in management rights businesses should conduct their own due diligence and seek their own independent advice. Returns, rates and equity numbers are for demonstration purposes only. SMSF compliance is an area requiring specialist advice and potential investors should seek appropriate guidance from industry professionals. TMC Pty Ltd is not an investment advisor or licensed financial planner.