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## METHODICAL BASIS OF PLANNING IN PROPERTY MANAGEMENT

### METODYCZNE PODSTAWY PLANOWANIA W ZARZĄDZANIU NIERUCHOMOŚCIAMI

#### Abstract

This paper presents the elements, the goals and the functions as well as the rules for the elaboration of a property management plan. The authors analyzed its importance in the decision-making process (the immediate and long-term decisions) concerning property management. Particular attention has been paid to the multifaceted character of this problem.

*Keywords: management plan, property*

#### Streszczenie

W artykule przedstawiono elementy, cele i funkcje oraz zasady opracowania prawidłowego planu zarządzania nieruchomością. Przeanalizowano jego znaczenie w procesie podejmowania decyzji doraźnych i długoterminowych dotyczących zarządzania nieruchomością. Zwrócono uwagę na wielopłaszczyznowy charakter tego zagadnienia.

*Słowa kluczowe: plan zarządzania, nieruchomość*

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## 1. Introduction

According to modern theories of management, planning (as more or less formalized procedure for determining the activity goals and the methods and the means of their implementation) is one of the most important tools in the management process. This function initiates, directs and organizes the management process and enables effective control of planning and actively tracks results [10]. As a result of procedures which help in the implementation and formalization of planning decisions, a **business plan** also called a **conducting business plan**, an **economic plan** or an **action plan** is used. Such a plan is called the property management plan.

The main subject of this paper is to present a methodical concept of the elaboration of a typical property management plan. The authors paid particular attention to the goals, the functions and the principles found in such plans, as well as to the planning process itself. The concept presented combines recommendations of the theory of management of economic organizations with the specifics of a property as the subject of management.

## 2. Definition, goals and functions of property management plan

A property management plan can be defined as “a compact set of documents (i.e. analyzes, forecasts and programs) which comprehensively characterize a property (or a group of properties), the market surrounding it, as well as (agreed with an owner) a property managers goals and tasks in relation to the specific property, and the best methods and necessary means of achieving them within a specified period of time”. By analogy with [8] such a plan is defined as a verbal and numerical description:

- the resources at the disposal of a property manager (i.e. building facilities, structures, equipment, premises, funds, management company staff and external contractors and documentation as well as other available sources of information about a property) including the strengths and the weaknesses of a property,
- the goals, the expectations and the opportunities of property owners and the necessary improvements and facilities resulting from the users needs and preferences,
- the existing state and trends of changes in the surroundings, including the opportunities and threats arising from the state of the market and the level of competitiveness of the services provided,
- the directions and the variants of planned, long-term activities in the following areas: technical, economic and financial, organizational and social management,
- the procedures and the operational tasks to be performed,
- the schedules and budgets concerning the implementation of planned current activities,
- the people who have to perform the tasks, and those people who have to implement a plan,
- the potential risks of the implementation of operational plans and the possible methods of bypassing threats or to weaken the threads,
- the principles and the methods used to estimate progress of the plan implementation and to verify the assumptions.

The main goal, for the authors of the plans, lies in the planning of rational, more efficient and more effective actions of a property manager in specific areas of property management,

ensuring the improvement and possible development of its current operations. The following goals (among the specific goals of the elaboration of the property management plan) should be mentioned [12]:

- a) obtaining thorough knowledge about a property, its technical condition and value,
- b) rationalization of current methods of property management in terms of efficiency and the effectiveness of actions taken,
- c) connecting the current requirements and expectations of a property owner with the realities of the property market,
- d) a better match of the current needs and expectations reported by the users of a property,
- e) ensuring continuity in the functioning of a property (regulations, safety of use, security of supply and services, insurance),
- f) improving the current financial situation of a property (budget, keeping a constant level of income or increasing the incomes, reducing the costs of using and maintenance/services, improved liquidity),
- g) the schedule for activities related to management, using and maintenance of a property in a not deteriorated technical conditions,
- h) profitable investment in a property (repairs and modernization) related to the improvement of its standard, change of function and increase of market value.

In the property management process, a properly executed management plan plays a key role, because, it combines (in a single unit) the goal, tasks, and possibilities of their implementations. A typical property management plan, like any other business plan, should serve two main functions at the same time [4, 9], i.e.:

- a) *internal* – as the primary instrument of a management team in the effective management of an entrusted property, allowing for good strategic and operational decisions; in particular, the plan determines levels of projected costs of using and maintaining the property (together with the sources to cover the costs), the necessary expenditures on repairs and investments as well as proposed methods of use the obtained reserves, and
- b) *external* – as a necessary document for the attractiveness of a property (an investment) in the eyes of potential investors and to attract outside funds needed to finance development projects (expansion, renovation, modernization, etc.).

For an owner of a property, the property management plan is – on the one hand – an important source of information concerning the legal status, technical condition and functional state, financial situation, as well as market position, opportunities and threats in the surroundings of a property. On the other hand, the property management plan recommends the most advantageous variant of use of a property for an owner, taking possible options to sell the property and procedures in case of some crisis situations (the advisory function) into account. For a property manager, in turn, the discussed plan is sometimes an important marketing tool, where a property manager tries to demonstrate how much better he/she can work in relation to the competition, (i.e. property market knowledge, acquiring new customers, availability of funds for maintenance and development of a property). In addition, the property management plan is a form of security of interests of the parties involved and determines the limits of acceptable interference of a property manager as well as the rights of its owner. It is recommended, taking the weight of responsibility of a property manager into account, that property management plans must be an integral part of the management contract.

### 3. Rules of elaboration of typical property management plan

It should be emphasized that there is no single, accepted and universally applicable standard of a property management plan [11]. This is due to the fact that modern planning – in fact – is an active and creative management tool, taking the specificity of the subject of the plan into account against a diverse and changing surrounding of a property. Moreover, the fact that there are many types of properties and types of owners on the property market, as well as different negotiating procedures of determining the scope of the rights and responsibilities of a property manager in the management contract, which – in practice – lead to an elaboration of precise standards of the plan, therefore, can only be sought in certain model solutions.

Below, the authors present selected theoretical rules (the assumptions) for the elaboration of the property management plans [12]. These rules apply to the conditions of typical (universal) plans. Due to their general character, these rules apply in most planning cases (apart from the type of property and the property manager's competence scope).

1. The subject of the plan is a property (or a group of properties) which is a building facility legally separated, which operates independently in the following surroundings: the property market, economic and financial, social, legal/lawful, technical condition and further information. All of the above determines and limits activities related to the subject of the plan;
2. The property management plan is a sort of the plan which is elaborated and implemented by a property manager after prior approval by an owner (or owners). Therefore, the content of the plan should take the scope of rights and obligations of a property manager written in a contract about a property management and concluded between the author of the plan and the owner of the property into account. However, it should also be emphasized, that a professional management plan should include the widest possible scope of the property manager's competence in relation to the property, which is entrusted to him – so not only the activities of routine management, but also activities beyond the ordinary management (such as: repair work and new construction work). This is clear from the definition of the property management contained in the Act;
3. In the process of the elaboration of a property management plan, one should follow the rule of limited autonomy to formulate the planning goals. Because, the goals of the plan should be closely coupled with the real goals and the expectations of an owner (or owners) of a property. It is necessary to introduce the procedure of planning the possibility of making a professional verification (by a property manager) owners' goals and expectations, which have an unrealistic character, are against the law or which are against the code of professional ethics;
4. The property management plan identifies and then verifies the owner's goals associated with the property as a result of detailed analysis and estimations of the management subject and its surroundings. Referring to the future, such a plan should clearly identify the methods and means of achieving the goals, as well as the risks and the methods of controlling their implementation;
5. The property management plan should implement the principle of the best and the most intensive use of a property, taking the overall constraints and opportunities (strengths and weaknesses) associated with the property, as well as the opportunities and the threats from its surrounding into account;

6. The property management plan must skillfully connect the long-term goals (repair work and new construction work) associated with a property with the short-term goals (the use and the maintenance). The long-term goals (directional) are carried out through the selection and implementation of the most efficient (reasonable investment) variants of the long-term plan (the strategic level – the period of 3÷5 years). In accordance with the rule: “a top-down approach”, the assumptions of the long-term plan (the strategic plan) are subordinated to the specific actions with an operational character in the annual action plans included in the form of budgets and schedules [3, 6];
7. Between the long-term plan (the strategic plan) and the annual plans (the operational plans) there is some feedback. A change in the situation on the property market or in the management subject, the change to the owner’s goals or the problems associated with the implementation of the previous annual plan, which might be the reasons for periodic verification of the long-term plan;
8. The property management plan should be a compact and stapled dissertation. The title page should include the title and the address of a property, as well as the author’s signature. The text should be stylistically composed and logically divided into chapters and sections. The authors should use the precise language and should avoid non-essential details. It is appropriate that the text of the plan contains some photographic documentation and attachments, which – if necessary – can be placed in a separate volume.

#### **4. Procedure of elaboration of property management plan**

The examined procedure is presented on the Fig. 1, in the form of the algorithm with the established rules, indications of the general management theory [1–7] and the recommendations [13] taken into account. The algorithm shows that the planning process begins from the identification and analysis of the goals and plans the property owners expectations. At this stage of the procedure, apart from the owners organizational and the decision-making process, a property manager should generally refrain from any polemics and estimation of the proposed validity actions by customers. A property manager should rather concentrate on the identification of the real financial and organizational capabilities [12].

Subsequently, the block of analyzes consists of three phases: the analysis of basic information about a property, the market analysis and the analysis of the financial situation of the plan subject. It should be emphasized, that this type of analysis, carried out during the management plan elaboration, have a complex character because they concern not only the legal and technical-functional state of a property, but also its financial situation and the method of its use and management. However, the estimation of a property value, assuming the current method of property use, is an important element of the current financial analysis. After this a strategic analysis, applying the so-called “SWOT method” is carried out. This method enables the identification of real problems to be solved by taking the technical range of management into account (to make sure the technical condition of the property does not worsen) as well as the organizational and the social range of management [5]. The list of the strengths and weaknesses of a property with its opportunities and threats (arising from its surroundings) is the basis for formulating the goals of the plan. This is done by verifying the previously identified goals and the owners’ expectations. The strategic goals (the long-term goals) and the operational goals

(the current goals) might indicate the need to perform certain actions by the management team in order to achieve the desired state of the property [10]. In each case, they are the result of the mission of a property – i.e. the basic reason for its existence and use. For example, in the group of public properties or building society properties, the mission usually results from the content of adequate national laws acts [12].

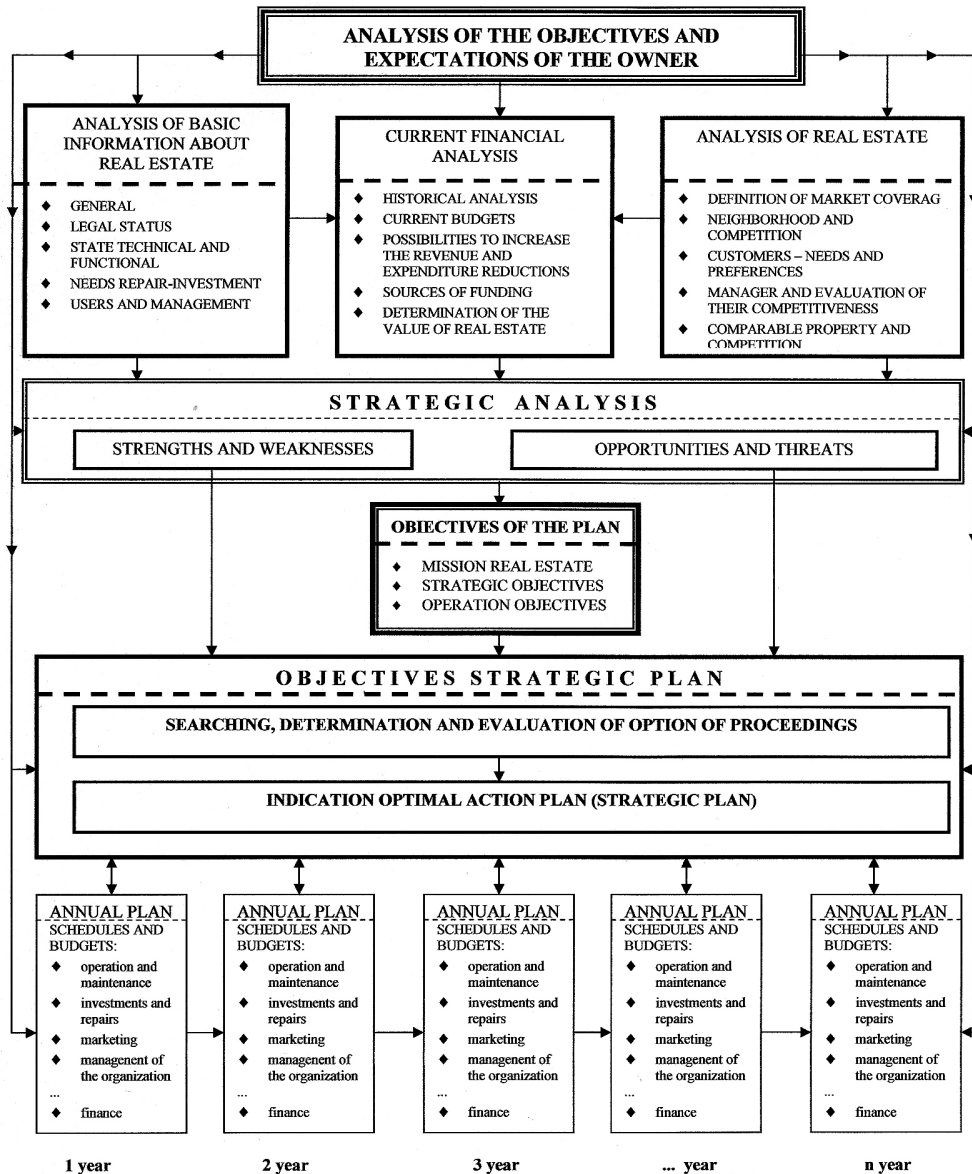


Fig. 1. Algorithm of planning in property management

Next, having a clarified list of management goals and an elaboration of assumptions for the strategic plan (the long-term plan). The strategic plan is a plan of directed actions, aimed at ensuring the optimal method of property use and management.

In general, it does not have a formalized form, and the analyzed solutions have a significant degree of generalization [2, 3]. This is primarily done to determine what actions must be taken in order to realize the most preferred and most effective methods required for achieving the long-term goals. The term assumptions of the long-term plan are made through the application of the successive approximations method – through the creation and estimation of several variants of the proceedings. This variant, which in the estimation procedure, proves to be the most cost-effective and efficient in the implementation (in terms of assumed goals) should be considered as the strategic plan (the long-term plan).

The final step in the presented procedure is the elaboration of the operational plan of action for the coming year (counting from the end of the planning work). This plan should be clearly coupled with the directional assumptions established in the strategic plan. It has the character of an implementation plan, therefore all data (regarding incomes and outgoings) should be compared accurately – divided into particular months of the operating year (a calendar year) which enables forecasts to be carried out in an easier and more accurate way. The basic form of the operational plans are schedules and budgets [3, 6]. Therefore, it is proposed that the annual action plan consists of, among others, the following schedules: using and maintenance of property, investment and repairs, marketing (if necessary) and organization of management. Then, these schedules should be “stapled” by the financial plan of a property consisting of the operating budget, capital budget (repair) and cash flows. It is important that the individual linear items of incomes and outgoings corresponding to the method of accounting procedures, as this will allow a property manager efficient control of the plan at any time. Before the end of the first operating year a property manager elaborates an action plan for the next year, taking the assumptions of the strategic plan and the results obtained in the first year into account. After expiry of the period for which the strategic plan was elaborated, the management cycle ends and a new plan should be elaborated, which takes new circumstances into account.

## 5. Conclusions

1. A typical property management plan is a compact set of documents (i.e. analyzes, forecasts and programs) which comprehensively characterizes a property and its market surrounding, as well as – goals and tasks of a property manager agreed with an owner in relation to a property and the best methods and the necessary means for achieving them within a specified period of time. This plan – as a set of market-oriented documents – reveals, releases and realizes the potential of opportunities in properties;
2. Property management plans include a wide area of problems related to property functioning: the technique (i.e. maintenance, reparations, repairs and investments), finance (budgets), people (the users’ needs and preferences) as well as management organization. This allows the property management plans to be classified as a group of plans with a problematic character;

3. A property management plan should be the basic tool of a professional property manager as this plan is a reliable way of directing and organizing the manager's activities and enables effective control of implementation. The plan also reduces risk and uncertainties associated with the business;
4. The property management plan does not ensure success in management, however, the management business, without any plan, is an improvisation – it is a set of actions taken accidentally. Although, there is no single, perfect management plan, it is desirable to elaborate one or more professional standards in this field, which will greatly facilitate and standardize the practical activity. The subject should therefore gain a deeper interest in the organization of professional property managers.

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