

Strategic Risk Guide

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What is Strategic Risk?



This is the risk that affects the ability of an organisation to achieve its strategy and strategic objectives because of specific decisions or a lack of decisions. It goes without saying that all Community Schemes should have clear objectives and a strategic plan to ensure their survival and sustainability. This area of risk is impacted by not identifying, assessing, and managing risks and uncertainties, and is affected by internal and external events.

Strategic Objectives

As part of the strategy execution process, strategic objectives need to be translated into activities and concrete actions with clear accountability for delivering activities and strategic outcomes. All critical activities need to be clearly defined.

With technology forming an ever-increasing part of business and operations, it is essential that the Community Scheme maintains robust IT controls and disciplines, that the Scheme embraces technological advancement in the areas of access controls, solar energy, heating, and lighting, and that IT security and cyber-crime prevention form a core strategic focus. With the risk of climate change and extreme weather becoming ever real, an environmental focus is now also essential.

It is important to manage strategic risk because nothing is more critical to the long-term success of a Community Scheme than the decisions around operational and facilities expenditure, which services and facilities to provide, infrastructural and project spending, and how best to optimise the funding of the Community Scheme.



For Community Schemes to formulate and implement meaningful and useful strategies, they need to be capable of executing the strategy and be aware of all their constraints and limitations. A Community Scheme needs to ensure that it can execute its strategic objectives effectively.

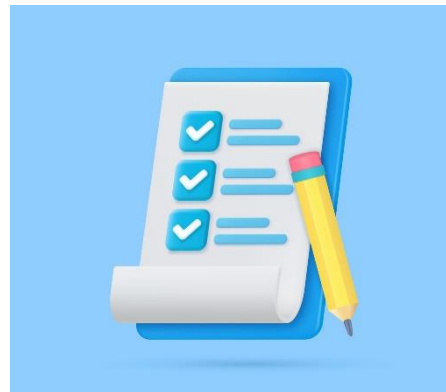
In the same way that a budget is reviewed monthly to ensure financial commitments are being kept, the strategy should be reviewed regularly, to determine if the strategy is producing results as expected or anticipated.



Underestimating the impact of a new strategy before it is implemented can have major implications and expose serious operational constraints and limitations. This is particularly relevant where new initiatives e.g., solar energy, new service offerings, or facilities are introduced. The ability to service and support new or additional facilities or services is often totally underestimated.

Before the Office bearers enter into any projects, contracts, or supply/service agreements they need to assess the potential impact on the Community Scheme e.g., funding and resourcing requirements, risks involved, ability and cost to maintain, the ability of service providers to perform as required and the cash flow implications of the decision.

It is important that there is alignment around objectives between owners/lessees/ shareholders/ developers, the Office bearers, and Community Scheme management, as this can dramatically improve organisational success. Failure to create alignment often leads directly to failure. Strategy and clear objectives provide the Community Scheme with a common



purpose, goals, and a set of actions to reach the particular objectives. This ensures that everyone is working for the same outcome (your Community Scheme success) and it is a mindset that should be understood by every stakeholder in the Community Scheme and used to guide decision-making within the Community Scheme. All stakeholders in a Community Scheme must be committed to the same long-term strategic direction of the Scheme.

A lack of a clear or definitive strategy or objectives can severely impact operations, financial performance, and ultimately the balance sheet and viability of the Community Scheme.

One way of reducing risk in the Community Scheme is by diversification into other new areas. With all initiatives come new and additional risks. Before a Community Scheme undertakes any new initiatives, comprehensive due diligence needs to be undertaken and the Community Scheme must assess its ability to manage the new risks. It is important to remember that not all good ideas translate into viable business initiatives and that not all gaps in the market will translate into a viable market in the gap.



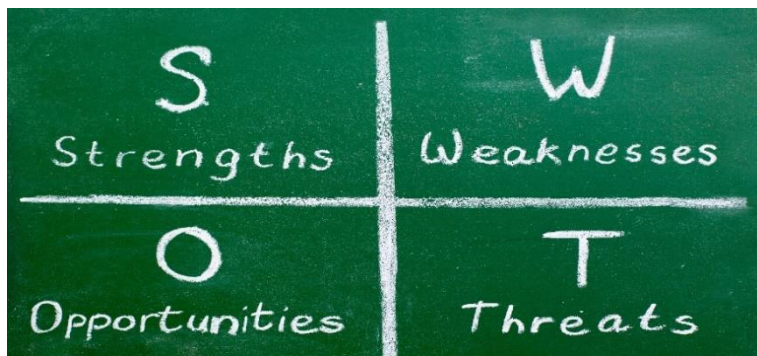
The Office bearers of the Community Scheme need to continually and actively look for or consider possible alternative/additional sources of revenue or income or explore alternative pricing models where chargeable facilities and services are provided.

The provision of additional facilities and value-added services can add significant value to a Community Scheme, justifying increased levy charges and ensuring increased sustainability and viability.

In some cases, the Community Scheme might hold “strategic assets” or have alternate “untapped” potential sources of income e.g. undeveloped areas, unused/under-utilised common area land, unsold units/parking bays, communal storage areas, recyclable materials, water/energy/solar resources that could be realised/monetised.

It is imperative that a Community Scheme takes time now and again to assess itself against other similar or competitor Community Schemes. This is especially true when launching a new service, facility, or offering and making decisions on how to market it successfully.

A SWOT (Strengths/Weaknesses/Opportunities/Threats) analysis is a 360-degree scan and overview of an organisation. It enables an assessment of the operational robustness of an organisation.



Doing a SWOT analysis helps a Community Scheme to assess itself honestly and effectively, as well as take stock of its reputation, positioning, competition, and the industry itself. A well-done SWOT analysis can help a Community

Scheme to be more competitive when it comes to satisfying owner’s needs, investment value retention, resident and visitor requirements, and guiding business decisions.

Purpose of the Community Scheme

It needs to be understood that Office bearers serve at the will of owners and lessees of the Community Scheme.

Owners of a Community Scheme can differ widely in their reasons for buying in a particular Community Scheme. For some it is strictly an investment on which they are looking for a rental return, for others, it is a place of retirement, security, and tranquillity. For others, it is primarily a place of residence near work and business opportunities. Owners can range from young families to the elderly, to semi-grated individuals looking to retain a local South African base, to young working professionals or families/individuals looking for a holiday base.



Most owners buy into a Community Scheme blissfully unaware of the prevailing conduct rules and issues facing the Community Scheme e.g., its financial position, state of maintenance, alteration approval requirements, security challenges, and the areas of conflict with and among residents or with Office bearers. These owners or their “ill-informed tenants” immediately run into problems with Office bearers.

In many instances, the “collective” of owners have widely differing objectives and expectations around “living” in the Community Scheme. Closing these gaps to get everyone on a common path can be a daunting challenge.

Office bearers are then required to perform a reconciliatory role, striking a balance between what is good for individual owners and what is in the best interests of the Community Scheme.

The Office bearers need to continually ensure that the Community Scheme has a clear strategic objective, values, and clarity of purpose around what the Community Scheme stands for. This needs to be continually clearly communicated to all owners/lessees and residents.

Protection of the reputation and the retention of investment and resale values for owners needs to remain a core objective of every Community Scheme.

Directors and Trustees can make all the difference between a successful and a failed Community Scheme. A committed and balanced team with a strategic and innovative mindset is needed for prolonged success.

Management of Strategic and Planning Risk

A core fundamental of any Community Scheme is that there is a clear shared vision and values, commonly required outcomes, and objectives among the Office bearers. This is essential for the success, cohesion, and sustainability of the Community Scheme.

Office bearers need to ensure that this is promoted and communicated and that formalised planning steps are in place to ensure that this is shared.

It is important that mixed messages are not sent and that all stakeholders align with the vision. These extend from financial goals, state of the complex/property, continuity, type of living environment desired, level of maintenance, reputation, environmental issues, etc.

The objectives must be achievable and consistent. Any disagreements or dissent needs to be dealt with.

