

## **Introduction**

This paper examines strata titled apartment developments in Melbourne, Australia. Melbourne is Australia's second largest city with a population of approximately four and a half million people living within the urban growth boundary. Current Australian urban policies are aimed at increasing urban density particularly within major city centres such as Sydney, Brisbane, Perth and Melbourne. One in three people within Australia's eastern states lives or owns property within strata titled complex (apartments, flats and townhouse developments). Strata managers and professionalisation within their industry has the capacity to impact an increasing owners. Areas of concern for strata managers and the committees that employ them are outlined and what this means in terms of ongoing professionalisation for strata managers and their industry is considered. In doing so, the paper links issues of urban density to a wider debate on professionalisation and governance impacts.

The aim of this paper is to explore rather than quantify the rise of the strata manager as a newly emergent profession and note their impact on the governance within medium and high density, strata titled housing such as flats, apartments, town-houses and CIDs. The significance of this work lies in the fact that while there has been increasing amounts of discussion about multi-owned forms of property and occasional references to strata managers and their role, the formation of the strata manager's professional identity has not previously been commented on. The structure of this paper covers a review of literature in two areas. First, the governing structure of multi-owned properties is outlined. There is a brief discussion of how the Australian and global contexts impact each other. Academic literature on industry professionalisation and the attributes that professionals and professional institutions exhibit is discussed. Second, the study method is outlined. Third, the interview material is considered. The paper ends with a discussion and summary of policy implications for the committees of management, strata managers, strata industry, wider community. This research will be particularly relevant for those within the housing and property industries and have wider appeal to those who research the professionalisation of various industries.

## **Review of relevant literature**

### *Multi-owned properties*

Though there have been calls for infill housing for over 50 years, it is only in the past 20 years that urban consolidation has become the dominant paradigm of planning policy within the Australian context. The rich history of Australia's strata title legislation dates back to 1960. The wealth of knowledge in this area has formed a basis for jurisdictional reform in a number of countries such as Canada, New Zealand, South Africa, Singapore, Indonesia, Brunei and Malaysia (Easthope and Randolph, 2008, p. 244). What happens within Australia's legislative framework is therefore significant to an international audience.

Research into the strata title area has been broad ranging, concentrating on socio-cultural issues such as diversity, segregation and security, economic issues including housing stock planning, price and life cycle costs, building termination and environmental issues. Issues of governance, where addressed tend to concentrate on owner experiences, committees of management, building managers and developer influence. Altmann (2014) raises the issue of taxation, not-for-profit status and volunteerism within multi-owned properties. Building management issues where addressed tend to concentrate on the tourism aspect of short term lets (Warnken and Guilding, 2009) or facility upgrade (Pouder and Clark, 2009). Cassidy and Guilding (2010) include strata managers and their industry associations among an extensive list of stakeholders, though issues of professionalism are not teased out. More recently, Storper (2014) has commented that the multitude of governance structures and long-term sustainability of the city itself since the mismatch of rights is aggravated over time. The land intensification through medium and high rise dwelling structures has the ability to contribute to the redevelopment of suburban areas and allow building replacement with less energy intensive buildings (Kuronen et al., 2011) with smaller environmental footprints.

However, properties in this configuration rely on primarily on stock or strata titled mechanisms where there are multiple owners involved and common property to administer.

Multi-owned property is created through the strata title mechanism when real property is sold to more than one owner. Each owner retains ownership over his or her private real property, while at the same time retaining an interest in elements common to more than one owner. Owners therefore hold real property interest at both the individual and collective levels. All properties formed under the strata mechanism are legally connected to a committee of management, and therefore to the other owners in that scheme (Blandy, 2010). The rights and obligations for membership are attached to the Certificate of Title for each property. Therefore the strata title mechanism creates enforceable legal rights, responsibilities and restrictions between owners. Three major concepts within owner corporation legislation have been identified as collective ownership of common property; creation of rules that govern behaviour within the complex; and the creation of a governing body to control administration of the common property (Sherry, 2009, p. 133).

Both Everton-Moore et al. (2004) and Johnston and Reid (2013) provide comparative analysis of the jurisdictional terminology used to describe the strata title mechanism within Australia. However, recognisable international terminology must also be taken into account for wider audiences. Within this paper, the term “owner corporation” is used instead of “body corporate”, “Condominium”, “HOA” or “CID” to denote the overseeing organisation to which each property owner within the complex belongs. Within these schemes, all lot owners make up the owner corporation and have shared rights over the common property. Some owners are elected to the “committee of management”.

The committee of management acts as the elected governing board representing all owners. The decision-making power sits largely with this group of owners although all owners have voting rights along with the ability to nominate for a position on the committee of management. Abbott (1988) posits that growth in general knowledge within society can create a new socially legitimate set of problems and therefore an opportunity for new professional groups to emerge. In this situation, the increase in urban density and growth in numbers of owner corporations have created opportunities for the emergence of a strata professional and associated professional institutions. Holt (1971) purported four decades ago that governance and managerial functions associated with property owner corporations could be contracted to entrepreneurial management firms within free market economies such as Australia. This observation illustrates the early emergence of a new profession, that of the property or strata manager.

Webster et al. (2006, p. 158) recognise that “most estate-based housing is therefore contractually managed rather than politically governed” even within China. For Lei and Van DerMerwe (2009), the strata manager fulfils three key functions: administrative, secretarial and financial. They are employed to oversee various aspects of the organisation that fall within the overarching functions defined by legislation.

### *Professionals*

The multi-owned property environment has fashioned new types of experts engaged by the owner corporation. Strata managers are not the same as building managers referred to by Warnken and Guilding (2009). In their context, the building or resident manager is a live-in care taker position that sees to a myriad of day-to-day issues within predominantly short-term leased premises. Though shown as key stakeholders in Cassidy and Guilding’s (2010) stakeholder model, their professional attributes accrue under a different scheme to that of strata managers. Nor are strata managers the same as Sherry’s (2010) building manager in the New South Wales (NSW) context. Within the NSW context, a building manager and a strata manager may be appointed. There is a clear division of labour though both may be employed through the same company. Kyle et al. reports that the managing agent is usually

an organisation engaged by the owner corporation to manage the common property. The strata manager is there to undertake financial, secretarial and administrative matters for their client, the owner corporation, in relation to the common property. Strata managers may act as the glue between owners, providing expertise during their decision-making processes.

In Australia there is a growing tendency to use the services of strata managers particularly for larger apartment complexes and mixed use developments with the strata manager increasingly appointed by the developer prior to apartments and town-houses being sold (Altmann, 2013). However, the strata manager's presence and purpose are rarely discussed in terms of the rise of new industry forms or professionalisation of those industries and their members. MacDonald defines professions as "occupations based on advanced, or complex, or esoteric, or arcane knowledge". Freidson (2001) notes that the professional is seen to be a specialist who can take abstract concepts and, in applying them, uses discretion. Conaughton and Meikle (2013) consider that there are commonalities in the way in which professionals are defined across disciplines. Central are high levels of knowledge and expertise in areas characterised by complexity and uncertainty; high levels of autonomy, strong client relationships kept at arms-length through the application of professional ethics; impartiality in decision making; membership of a recognised professional body or institute that controls relevant knowledge; barriers to entry of associations through a licence to practice and the ability to discipline members; adherence to a code of ethics set by a professional body or institute; service to public orientation distinct from ethics; long-term industry outlook training and experience (Elliott, 1972; Larson, 1977; Abbott, 1988; Burrage and Torsendahl, 1990; Sharma, 1997; Neal and Morgan, 2000; Davies and Knell, 2003; Jaradat et al., 2013). That is, professionalism requires the use of knowledge to advocate for and solve problems for the long term, while meeting existing client needs. This involves elements of introspection, knowledge sharing and robust debate in the development of solutions that take a long-term view not only of their profession, but of society as a whole.

Professional ethics are individual obligations that are accountable to an audience that is much wider than the immediate client and stakeholder base. It is this impartial application of knowledge that assists professionals to remain distinctive and maintain an approach to problems that has validity. These skills enable them to deal with uncertainty and risk (Evetts, 2003) especially if their work is backed up with insurance and the sanction of expulsion from their industry body for those who fail to carry out satisfactory work.

### *Professional institutions*

Evetts (2005, p. 4) summarises professionalism as an occupational value, an ideology or a discourse. It creates trust in the individual but also in the knowledge base administered by the institution. Professional institutes are therefore gatekeepers not just of knowledge but of standards of behaviour as well. Fincham notes that newer disciplines are unable to professionalise due to their weak knowledge base that lacks an accrued body of theory and associated occupational language. Built environment professionals, to which some would argue strata managers belong, do not share a common knowledge base. Evetts (2005) notes key features of professional institutions include exclusive ownership of an area of expertise and knowledge; the power to define the nature of problems as well as control over the access to solutions; and a supportive professional community in conjunction with working for the public good (wider or longer term public interest). According to Bordass and Leaman (2013) this outlook and level of professionalism rarely develops within the building industry due to poorly focused feedback loops that inhibit learning from operational insights, affecting the knowledge base. Double loop learning is important for transforming individual learning to organisational learning through enacting policies and procedures (Argyris, 1993).

How expertise is created and institutionalised within emerging environments to create new professions is not a straight forward event, given the challenges of an eroding knowledge base, lack of feedback mechanisms, media exposure, personality and self-interest.

Goodman (1972) considered such actions as the debasement of public good for personal gain whereas Freidson (1994, pp. 108-109) sums this position up by contrasting the term professional against terms such as amateur as well as unprofessional, where amateur denotes a lack of knowledge and unprofessional denotes a lack of ethics. Industry associations play a part in determining both. Hartenberger et al. (2013) note that knowledge and ethical values may be missing from professional institutions. Twinn (2013) finds professional institutions too fragmented, too slow and lacking clarity in their communication with society. He asserts that when faced with new challenges, they do not converge and share a knowledge base, but increase in number. This can be seen in the separation of engineering, architecture and facility management streams of building. Project managers within the building industry may belong to a variety of institutions, including the Project Management Institute. Facilities management professionals work in separate streams to strata managers. In the Australian context, strata managers are more closely aligned to the real estate industry. It is the convergence of professional institutions to provide a common view, that assists in formulating policy recommendations, thus strengthening the institutional power base.

From Twinn's (2013) point of view, a new building-related profession and associated institution is not ideal as knowledge of "whole of building issues" is diluted across institutions. This is clear when one considers that the construction stage is usually quite separate from the management during occupation stage of the building. This impacts on whole-of-life cycle knowledge. However, as Shui (2001 in Chen and Webster, 2006) asserts, the use of external managers has benefits for the owner corporation. It may lower the costs of governance for owner corporations because they are able to access, for example, legal advice through economies of scale provided by professional institutions. However, such advice is rarely given impartially. It puts the manager's needs first. McKenzie (1996) and Forrest note that lawyers engaged directly by owner corporations may be just as self-serving. Twinn (2013) on the other hand, sees the profile of building professionals taken over by personalities from business, the media and pressure groups, with shallow knowledge but strong media exposure. For Jaradat et al. (2013), the rapid uptake of digital technology may undermine the knowledge base of the professionals and their institutions. Indeed this has been noted within the medical profession where clients increasingly self-diagnose and misdiagnose ailments (Rothman and Blumenthal, 2010; Baer and Schwartz, 2011). This is a continuation of Haug's (1977) theme who concluded that existing professions may lose their professional edge through a process of de-professionalisation. Haug argued that the inaccessibility of knowledge to laypeople is at the heart of the professional position. A client armed with freely available information (via the internet and reality television) may no longer believe that the professional knows what is best. With greater access to information, the capacity for misinformation and de-mystification increases.

This erosion of the knowledge base through client activities relates to service orientation and long-term outlook as well as technical knowledge. Increasingly, clients through their own work and consumerist activities, are aware of and applying concepts of corporate social responsibility and triple bottom line to all interactions. They expect professionals, and their associated organisations to perform for the greater good. As Hill state, this places greater responsibilities on professional leadership where governments are equivocal and ambiguous in their intentions and resolve. Professional institutions, in this case Strata Communities Australia (SCA), are in control of what constitutes the corpus of knowledge. SCA is the peak association supporting the strata sector in Australia.

As Dingwell (1983, p. 5) states, institutions set the very terms for thinking about problems which fall within their domain, and are gatekeepers of information. Aho (2013, pp. 112-113) notes that a number of professional institutions worldwide define appropriate skills and competence levels, and in some cases develop and promote professional codes of conduct that define how professionals should utilise these skills for community benefit. For Freidson

(2001) the control of knowledge through formal training institutions is important to the professions. Professional organisations influence what universities, technical colleges and other training institutions teach through a process of accreditation. A professional institution will only recognise certain programmes at particular training institutions whose course content is developed through industry institute relationships. This process relates to what Janda and Parag (2013) refer to as upstream influence. Beck argues that secure obtain social consent and relevance within society. It is noted that few Australian states have corresponding organisations for committees of management. Their role as holders of knowledge and influencers of policy may therefore be assumed to be weak.

The increase in multi-owned properties has brought about the professionalization of industry knowledge through institution formation and influence for strata managers, though not for committees of management. Despite significant research into various aspects of multi-owned properties, little is known about the role of industry professionalisation. Knowledge, training through accredited institutions and ethical behaviour are keystones of institutional gatekeepers. However, there is a lacuna in relation to the downstream interaction of strata managers, as there is with industry professionals and their client base. It is not known how the introduction of accredited training schemes is viewed by either strata managers, or their client base. The research reported here considers what the key players – strata managers and committees of management consider to be key aspects of knowledge that form part of the basis for professionalism. With the introduction of newly accredited training courses in strata management imminent, what each party is seeking in terms of knowledge and professionalism becomes significant.

### **The study**

The current interest in the professionalisation of the strata industry occurred during the course of a larger project. The larger project included document and media analysis and was complemented by semi-structured qualitative interviews. The research findings reported here are one of the outcomes of thematic analysis of semi-structured interviews.

All study participants were interviewed on topics of governance, participation and contract management issues relevant to the strata environment. The semi-structured nature of the interviews, however, allowed exploration of professionalisation in the context of governance, participation and contract management. The issues raised covered areas of professionalisation and the knowledge base that committees of management required from their strata manager. It also assessed what attributes were valued by strata managers when dealing with their client base.

Ethics approval was provided by the Social Sciences HREC committee to undertake a combined literature search, document analysis and semi-structured interviews. The interviews were recorded and then transcribed. Participants were offered a copy of the recorded audiotape and the transcribed text for checking. None of the participants offered corrections or requested amendments be made to their statements. The 14 participants included six strata managers and seven committee chairs. One strata manager also identified as a committee chair. Committees of management are formed from property owners. It is the committee chair's role to representative of all owners within owner corporation. Since the onus of this paper is to report on professionalism, it was not considered necessary to separately interview individual owners, as their interaction with the strata manager is limited to annual general meetings, or in the case of a rental occupier, there is little interaction at all. The role of the rental occupier is rarely recognised in Australian law as part of the decision-making process. All of the interviewees, including the committee chairs came from business or professional backgrounds. Interviews with the strata managers took approximately half an hour each whereas the interviews with committee chairs were much longer lasting, anything from 45 minutes to two hours. Both groups frequently referred to specific documents to make their point.

There are of course dangers associated with drawing conclusions from such a small sample size. Nonetheless small sample sizes are useful for drawing attention to emergent issues. The issues raised in these interviews are both topical and relevant in an increasingly dense living environment. The interviews tease out issues of the active, lived experience in a way that not all larger studies are able to. Whereas, in Sandelowski's (1995) view, determining adequate sample size in qualitative research is a matter of judgement and experience in evaluating the quality of the information collected, Hughes (1971) considers one detailed interview will suffice for obtaining knowledge about the lived experience of humans within an institutional setting. The owner corporation is such a setting. A case study of just one person, providing a depth of information about a given topic is significant research. In this case, participants who self-nominated within the project timeframe and sampling structure were interviewed. While a number of owners also self-nominated, they were discounted unless they were committee chairs. There was also the need to match strata managers with the owner corporation in order to understand the relationship between the two participant groups. Nevertheless, the sample size meets Sandelowski's framework for determining an adequate sample size. The interview material is contrasted with document analysis provided by the strata industry and training bodies involved to increase the robustness of the interview data. The data collected meets Ezzy's (2002) definition of being both rich and thick. The sample size, though small enough to be considered a pilot study, is able to bridge the gap between individual behaviour, societal attitudes and industry professionalisation as it applies to the strata environment.

A thematic approach was used to analyse the interview data. Using Nvivo as an aid to analysis, three key themes were identified. All 14 of the participants commented on their knowledge of apartment complexes within the Melbourne central business district (CBD). Of the 14 interviews, five commented on apartment buildings containing in excess of 100 lots in tower configuration and that were part of larger building precincts. That is, the strata scheme contained more than one tower building. The other nine interviews referred to smaller, single-tower complexes within the Melbourne's city centre. The provision of more detailed information as to the location or spatial spread of the properties would, in a city the size of Melbourne, lead to identification of individual building, and thus the participants. This would constitute a breach of ethics approval since anonymity of participant information formed part of the approval process. This research engaged with the views of owners as committee members and strata managers on issues of knowledge base, ethical behaviour and professionalism.

## **The interviews**

### *Professional institutions*

The literature on professional institutions can be summed up in three points. First, the professional institution acts as an expert knowledge repository, with the institution setting standards of knowledge through interaction with educational institutions. Second, there is an ethical basis that takes a long-term view of the sector. Third, there is the accreditation of industry professionals and their expulsion when institutional standards are breached. In Australia, each state and territory administers different legislation relating to strata manager licencing and accreditation. In Victoria, where this research was undertaken, a state-based licensing system for strata managers administered through the Business Licensing Authority Victoria (BLAV) applies.

This licencing system is separate to the strata industry institutions and the accreditation schemes. At the time of this research, the BLVA did not require any form of professional qualification in order to register as a strata manager. Rather, the mandatory licensing system provided surety to owners and committees in terms of purchased professional indemnity insurance and an indication that the strata management company will remain solvent ([www.bla.vic.gov.au](http://www.bla.vic.gov.au)). Within this study, the strata managers employed were licensed

through the BLAV. However, the licencing system was not well understood by all committee chairs:

I don't think I was aware that they needed a licence (Chair L).

and:

I thought that if they were licensed they would have qualifications in the area but it appears not to be the case (Chair E).

The state-based licensing system is designed to ensure an element of redress should things go wrong, but does not address the issue of knowledge, expertise or professionalism within the industry. SCA, the professional institution for strata managers does not undertake gate keeping duties associated with professional institutions, though there are categories under which a person may join.

Additionally, institutions were identified as the gatekeepers of knowledge and responsible for accreditation of that knowledge. This manifested particularly in relation to the interaction with educational institutions as identified in Freidson's (2001) work. The introduction of a national professional qualification (Certificate IV in Property (Strata Management)) meets this upstream influence. The qualification purports to provide a detailed focus on the technical aspects of the strata property mechanism including an understanding of the various state-based Acts:

You will learn the fundamentals competencies and concepts of property and business law, agency risk management, management and maintenance procedures, property security issues and a range of agency administrative processes and procedures including financial and trust accounting skills involved in the proprietorship and management of Strata/Community Title Management Agency practice (TAFE NSW, 2012).

The strata managers interviewed did not necessarily consider that knowledge in these areas was important. They felt that they could find the information elsewhere if necessary: Essentially we are a people business. So having strong communication skills is the most important thing (Chair A).

There is always someone you can ask to get advice when it comes to the letter of the law (Strata Manager F).

Strata Manager F was more likely to ask other franchise owners for help than to go to his professional association for advice. As noted above, knowledge of the relevant state-based legislation was seen as less important than communication skills by strata managers, yet Lei and Van Der Merwe (2009) consider expert knowledge to be a key requirement for strata managers, adding to their professionalism. Expert knowledge in key areas is noted as an important requirement for professionalisation of industries. Expert technical knowledge was considered an important issue for their client base. Committee chairs insisted that this was what they were paying for:

We are inexperienced so we need someone who can guide us in relation to the legislation for a reasonable fee. Also to take on issues of contracts and overseeing them and making the building function properly. [...] There are times when (stratamanager) just seems to get in the way (Chair N).

Have a complete understanding of the Act to begin with. The skills to implement the Act (Chair E).

The strata managers highlighted national and international trends. These trends manifested as smaller strata management companies being subsumed by larger national companies.

With this trend, job differentiation strategies emerged. The larger, national companies displayed departmentalisation in which individual areas of expertise such as accounting and finance, law and technical issues occurred:

I think in five years' time, you'll either have major players or boutique operators that have a set business plan. The level of professionalism, the demands are becoming so high, it's no longer the cottage industry it was (Interviewee J).

No one strata manager is across all knowledge areas. This affects the committee chair's view of the expertise level held by their strata manager. To the committee chair, the strata manager comes across as ineffective and lacking in professional knowledge:

I don't think a lot of them are professional enough. I don't think they've got enough experience. They just take the minutes (Chair K).

But hopefully next year, we get in a competent manager (Chair C).

We have a legionnaire's issue because we did not approve the spending of funds for the water tanks on the roof. I didn't realise legionella spreads up to four kilometres or was so deadly. The strata manager didn't tell me of the consequences for not approving the expenditure (Chair K).

Although the in-house departmentalisation of strata management companies ensures the streamlining of in-house practices, the strata manager comes across as lacking a depth of experience, or knowledge base. Any technical questions need to be referred to other in-house employees for resolution.

The perceived lack of professionalism and experience, the provision of incorrect information and the inability to run contracts with transparency emerged as key issues for the committees. Much of the conflict experienced between the strata manager and the committee related to administration of contracts and a failure of transparency. The transparency aspect, however, did not appear to be a significant concern for strata managers, though it is integral to trust, an important aspect of industry professionalisation. Chair K's comments relate partly to the knowledge base of the strata manager, but also to the third point raised in the literature – that of ethical behaviour and wider societal outlook. Trust has been breached by the lack of information forthcoming from the strata manager about the consequences of not maintaining water tanks associated with the air conditioning system. This presents a significant problem to public health officials given that the disease may ultimately lead to death and spread from the infected building (Silk et al., 2012). Were this to happen in a CBD location it may ultimately shut down the city centre affecting economic activity. Such issues require a long term, wider societal view. Expert knowledge combined with a long-term outlook is important but lacking in this instance.

There were also issues that related to strata managers putting their own business before their client's best interests:

Well basically the (previous strata) manager just didn't want to do it. They had a relationship with the developer and didn't want to strain that relationship by chasing up the defects (Strata Manager D).

There's a view amongst owners that we are taking kickbacks from these companies when they come to us (Strata Manager D).



In each committee [where I am an owner] there has been something that would be deemed to be worthy of a cancellation of contract. We feel that there are definite areas that are for litigation (Chair H).

These passages indicate a lack of professional ethics on behalf of the strata managers involved. Yet the professional institution does not appear to do anything to increase confidence in the industry:

The industry will not truly become professional until the institute takes action. Some of these rogue players need to be weeded out. It hasn't happened to date (Strata Manager J).

One of the ways for institutions to demonstrate professionalism is to be the arbiter of who is meeting the professional standards that are set by them. Despite a number of high-profile court cases mounted by the Australian Competition and Consumer Commission, as Strata Manager J has indicated, no action by the professional institution has occurred. The separation of the licencing requirements from any punishment or the professional institution means that there is no double loop learning in place. Therefore the actions of one strata manager (whether good or bad) do not necessarily lead to an overall change in the industry approach.

The strata managers interviewed for this research all stated that they used standard forms of contract supplied by the strata industry and that these were non-negotiable in terms of key sections. They were reliant on differences in price and reputation rather than any noticeable difference in the terms of engagement that may protect the owners.

Using standard forms of contract that are biased in favour of a specific industry constitutes a normalised form of bargaining though it is also a coercive tactic by industry professions (Marotta-Wurgler, 2007). Committees also noted a tendency by strata managers to dictate the meeting agendas, usurp the position of chair, and indulge in power games by designating meeting places on non-neutral ground. These tactics placed the committees at a psychological disadvantage.

#### *Industry professionals*

Industry professionals have been shown to be people that hold a minimum qualification, displays expert knowledge, is able to apply that knowledge to manage risks, has a strong client focus and remains impartial in decision making. However, the strata managers that were interviewed came from a variety of backgrounds with no minimum qualification, including one who was:

Making coffees in my uncle's café (Strata Manager B).

Though the background of the strata managers differed, the commonality was that they had all come from business backgrounds. That is, they had either owned previous businesses or acted in a position of significant authority within a business environment such as being a chief executive officer or chief financial officer of that business.

The introduction of the Certificate IV in Property (Strata Management) provides a starting point for meeting minimum qualifications for professionals. Given time, all strata managers will meet this minimum standard. It is noted, however, that some strata managers do not consider the knowledge base outlined in the minimum standards to be important:

The manager claimed that it was within his rights to choose not to pay the (contractor's) demand for payment and we got sued for \$26,000. [...] I said "if you

choose not to pay an invoice, should you not bring that to the attention of the owner committee so that we can be involved in that decision?" (Chair H).

If industry knowledge is not considered significant by individual strata managers, then they will be unlikely to apply it to the management of either client or industry risks. Not only is knowledge devalued by strata managers, but in one interview, experience also lacked importance:

Look, I've changed my view completely. We've sought experienced managers that have come in from other firms and they simply haven't lasted with us. [...] When you employ mature experienced managers it just fails (Strata Manager J).

These two passages exhibit both a lack of risk management and a lack of client focus by strata managers. Strata Manager and Chair H outlines a lack of duty of care towards the client base. There is a devaluation of industry experience (and thus knowledge base) in the second statement.

#### *Client base*

Strata managers and committee chairs commented on the inexperience and lack of professionalism amongst committee members. The behaviour of committee members came under fire from committee chairs and strata managers as lacking knowledge, people skills and independence:

You can't have someone hot-tempered, you've got to have people who you can actually talk with and sort things out with, without having someone who's a total idiot that causes disruptions (Chair K).

The ones that unnerve me the most are those that don't want to spend any money (Chair E).

If you had people on board who could see beyond their own needs [...] (Chair N).

Interestingly, the attributes most disliked by committee members were a lack of people skills and those people focused on pushing their own agenda. Owners who push their own agendas rather than think strategically for the benefit of all, tended to be viewed as disruptive and counterproductive. A collective attitude was seen as supportive by both strata managers and committee chairs. Strata managers work within an environment that is conflict ridden and highly emotive. The ability to negotiate outcomes in these situations is important, but not as important as expert knowledge in specific areas, according to clients, or Lei and Van Der Merwe's (2009) definition of the strata manager.

#### **Discussion and recommendations**

Greenwood et al. noted that professional organisations play a significant role in theorising, endorsing and thus legitimising change. According to them, professional organisations are important because they are the forum through which industry professionals represent and reinvent themselves to outsiders; provide a forum for interaction between individuals, thus confirming and re-affirming their legitimacy; and set the boundaries for participation. The professional association representing strata managers has succeeded in pushing for Australia wide mandatory qualifications for strata managers. This is the first step in the professionalisation process, setting the boundaries for who can join – only those who have undertaken approved courses. Second, it reinforces the standing of strata managers in the community, re-affirming the position of individual strata managers both to themselves and the wider strata community. It sets them up as experts.

Though SCA has endorsed the minimum educational requirements for strata managers, the strata managers that participated in this research clearly valued a different set of attributes to those proposed by either the new educational framework or by committee chairs. Thus they confirm Dezalay and Garth's (1996) view that decision making in such groups is not cohesive and is subject to negotiation and political processes.

The difference in opinion between members is significant. The professional institution as a whole has voted to accept a particular course in training that focuses on financial and legal aspects, yet these appear as negligible to some strata managers. Consistent with Greenwood et al.'s assertion, professional bodies have a role to play in enforcing standards among their membership both normatively and coercively through the application of sanctions. This is difficult where division exists between members. Strata Manager D bemoaned the fact that the industry association did not enforce standards of conduct for members, stating that the organisation would not truly become professional until such time as this occurred. The concept of professionalism relies on belief in a set of attributes and adherence to those beliefs through the ritualization of ceremonies including training and educational practices, internal ranking status and enforcement of conduct and long-term society benefit.

The introduction of minimum qualifications and the possibility of enforcing codes of ethics amongst members do not address the lack of education for committee members and owners, as noted in this research. Whereas strata managers have formal opportunities, no such network or opportunities existed for committees of management within the state of Victoria at the time of this study. Two committee members raised the issue of the creation of formal networks of association for strata property owners. Similar schemes currently exist in NSW (Owner Corporations Network), Queensland (The Unit Owners Association of Queensland) and the USA (Home Owners Associations or HOA). These associations have the capacity to become centres of knowledge that enhance decision making and good relationships with the owner case and industry professionals such as strata managers. Since owners, through their committees of management, are the ultimate decision makers it would appear necessary for them to be familiar with the basics of meeting procedure, the ability to recognise and prioritise group good over individual good and the need for transparency in contract management. Though there have been some inroads into affiliation with other states for strata property owners, the Victorian scene is fragmented.

The surprising finding in this research is the significant amount of distrust and lack of confidence in the strata managers that had been engaged by the committees of management. There are significant differences between how strata managers see their role and how committee chairs see the role of strata managers. The reverse is also true. At the heart of this were issues of transparency, accountability knowledge and expectations. Committee chairs considered that strata managers lacked knowledge in key areas of finance, law and contract management. Both parties agreed that good communication was a central competency, though both considered that the other party lacked good communication skills. The lack of trust and poor communication outcomes between the two groups, have the capacity to limit discussion of way to enhance innovation. Industry innovation is necessary if Australia is to meet its housing shortfall, increase energy efficiency measures and create urban resilience. For example, the case of legionella in the air conditioning has the capacity to decrease urban resilience as highlighted by Silk et al.'s (2012) work. Likewise, the difficulty of retrofitting for environmental sustainability within multi-owned properties is noted by Altmann (2013) as a lack of trust between strata managers and committees of management, not a lack of expertise. The issue of trust may also be seen as an individualist societal trait that is not carried across to other collectively oriented jurisdictions such as Hong Kong where there appear to be less trust issues and a more collective outlook to high density, vertical living (Yip and Forrest, 2002). As urban densification is embraced globally

and multi-owned properties become the norm, trust between the two groups needs to be enhanced if urban resilience is to be enhanced.

A number of issues arose in terms of certification of strata managers. First, the lack of owner knowledge extended to the system of licensing strata managers in Victoria. Committee chairs appeared confused about what benefits accrued from the licensing of strata managers. Some considered that a licensed manager meant that they had met some minimum standard of knowledge in the area of strata management already. Others were confused as to how to check registration and licensing. It is not clear whether the licensing of strata managers will continue to be carried out separate to the accreditation of strata managers. These functions are synonymous with industry professionalisation. Second, there were issues with industry registration and the need for professional bodies to take action to enforce standards of behaviour and knowledge. Third, there is the need for strata managers to buy into the need for minimum certification and take the matter seriously. The results of this pilot study indicate that this does not appear to be the occurring. Fourth, there is a wider issue of how sustainable the individual ownership of the built environment will continue to be if no solution can be found to the trust, conflict and training issues outlined in this paper, since untrained or rogue strata managers are not in the longer term public interest. This last issue, though considered in a localised context here, has the capacity to destabilise the compact city when applied to multiple sites across the cityscape.

While the introduction of minimum mandatory Certificate IV training for strata property managers may resolve a number of these issues, it is unlikely to resolve all issues, particularly where it is taught by strata managers within institutional settings. The qualification is a minimum standard that may assist owners to have confidence when choosing their strata manager. However, the real test of professionalisation, as outlined by Strata Manager D would be the application of sanctions against poorly performing strata managers by their industry body through deregistration. Perhaps there is an industry perception that to sanction poorly performing strata managers would bring the fledgling industry into disrepute. However, such actions are more likely to engender trust amongst their client base.

The lack of sanctions, lack of expert knowledge and qualifications and apparent distrust of strata managers and committee chairs for each other has the power to significantly affect confidence in the strata property market and lead to issues of long-term sustainability of the strata property sector. Because a growing number of countries model their strata title laws on Australian legislation, the growth in industry professionalisation, expert knowledge, sanction and trust issues has the capacity to affect the sustainability of the strata property market globally. Whereas a strengthening of strata industry professionalisation through sanctions coupled with the buy-in of all strata managers into the expert knowledge base and supported the strata property owners will assist global urban resilience as more countries move to this form of property ownership.

### **Research limitations**

A number of limitations are associated with this research. The inclusion of legal case studies, for example could be used supplement information contained in the interview material. A wider study that considered jurisdictions other than Victorian context could be included to determine whether the findings and conclusions are consistent across jurisdictions. Then there is the small sample size contained within the pilot study. While small sample sizes are useful for highlighting emergent themes, there is a need for a wider study into the professionalisation of the strata industry that includes triangulation with strata complaints, mediation, conciliation and court proceedings. Such a study could take in the view of strata managers and industry professionalisation from the viewpoint of other associated professionals as well as committee chairs. A wider study would round out the implications for global urban resilience within the strata sector as cities become more dense.

## **Conclusion**

This paper teases out issues of professionalism associated with the strata industry. It notes that the introduction of mandatory minimum training and certification for strata managers enhances their knowledge base. Knowledge and expertise is one of the central elements of professionalism. Though committee chairs were in favour of strata managers developing expertise in law, finance and contract management, these competencies were not acknowledged as central to their level of expertise by strata managers. While this disjunct exists, strata managers may not engage fully with the intent of the minimum standards set through accredited training schemes. The failure of professional institutions to sanction strata managers, whether through disqualification or additional training requirements, continues to hinder the professionalisation of the industry, as does their failure to take a longer term outlook for the good of wider society. The lack of trust, accountability and transparency displayed within these qualitative interviews may therefore continue despite the introduction of mandatory qualifications.

The introduction of a mandatory Certificate IV in Property (Strata Management) signals a change to the way in which strata managers are viewed by society. In order to gauge the effectiveness of training for strata managers, it would be strategic to undertake a skills assessment of strata managers before and after this training, to better understand how the training has assisted them to undertake their role. Further research could be conducted to determine whether the training undertaken by strata managers has been beneficial to the owner corporation.